

## CASE STUDY 2

### Procurement Transformation – Ontario Provincial Agency (“Client”)

#### Challenge:

Execute a transformational re-engineering of this Ontario Government Agency’s procurement department to shift from a transactional and administrative focus to a strategic model delivering greater value-add. Additionally, align the new procurement organization with the corporate strategy to outsource the majority of facilities and project management execution, a significant component of the Client’s responsibilities and budget.

Transform a team that had been going through high attrition and was being ineffectively led by a manager who was trying hard to meet expectations but lacked the required experience, hard procurement expertise and people skills to deliver the results the organization required.

#### Insight:

The Client had recently hired a new CEO from the private sector who had embarked on a major corporate transformation to implement a new culture of accountability, responsibility and performance, which is atypical of many public sector organizations. The strategy included several major projects to outsource previously “internal operations” to expedite the change through external partnerships with leading private sector companies that provide the in-scope services as core competencies. In addition to transforming the “retained” procurement organization, the Procurement Transformation Project was also to support those outsourcing initiatives with strategic sourcing expertise and create “Supplier Management” centers of excellence in the retained business units to manage contract performance.

#### Solution

Over the first three weeks of the Project, the initial workshops conducted with the Client’s Business Unit partners identified areas of improvement in business “Value-add”, ownership (team KPI’s) and process effectiveness. Common themes in Business Partner feedback included:

1. Greater flexibility required in procurement templates and process for strategic services sourcing
2. More effective automation required to support processes, reporting
3. Procurement team needs to better understand the specific challenges and opportunities of the Business Partners (and their industries) we support
4. More effective and proactive Contract / Vendor management required.

The solution that resulted from those workshops with the key internal stakeholders featured the following key elements:

1. Dedicate resource teams to specific Suppliers or “Categories” of business units to foster familiarity, rapport and specific industry Subject Matter Expertise. This would be complimented with the implementation of a Supplier Performance Program and an Outsourcing Contract Management Procedure with business units and strategic suppliers to optimize supply chain quality.
  - a) Team size will be driven by supply or client base (3 primary “Categories” identified)

- b) Review workload and capacity after 6 months to determine if staffing model is appropriate
  - c) New roles will focus on strategic sourcing activities, managing strategic suppliers (supply) and ensuring effective & proactive Business Partner Support (demand).
2. Implementing a Team Scorecard with 75% of Incentive Pay tied to the Suppliers' KPI results to drive greater improvement & accountability for performance
3. Author then deploy a new Policies & Procedures Manual to align with an Ontario Government Directive on procurement and with International Trade Agreements. The P&P Manual would maintain flexibility and detail consistent with private sector best practices. This included the development of new templates and the introduction of techniques such as contract negotiation, which had never been done previously at CLIENT.
4. Led a cross-functional team to implement a new requisition-to-payment process to enhance financial controls, ensure "3-way matching" and improve spend management.

The pursuit of performance gains started with a new department "culture". Therefore early and throughout the transformation, I facilitated the new team collectively defining an effective vision and mission, strategic planning, and setting goals. In procurement, like all support roles, Client Satisfaction is priority one. The pursuit of performance gains started with an emphasis in the Team on "Voice of the Client", communication, and disciplined execution to provide our Clients with the flexibility to accommodate changes as business strategy or business conditions evolve. We then measured the results or success of our efforts through metrics defined by our Clients and key stakeholders.

A key element of the transformation strategy is always to build a delivery-focused team with highly skilled individuals. To that end, a specific Skills Management plan must be incorporated into the strategy by identifying the range of skills that currently exist within the team and highlighting priority areas for investing in capability development according to the formally defined roles and responsibilities for the various positions.

The procurement team designed for the Client featured individuals that had or were subsequently trained in:

- Problem management experience, including diagnosis, resolution, and prevention
- Negotiation skills
- Quality Management expertise (Lean Six Sigma, TQM, etc.)
- Change management experience
- Project management expertise
- Good interpersonal communication skills
- Demonstrated facilitation skills
- Specific functional, financial, or client business experience
- Ability to accomplish business objectives by working through others
- Ability to deliver solutions with only informal authority

To sustain the team's high performance I also conduct a Skills Assessment Review each year factoring in developments in the procurement market to determine what expertise, net new or

enhancements to existing, is required to develop and maintain a world-class procurement team, To execute this Review, I leverage the organization’s Human Resources tools and team.

One of the priorities is ensuring team members are trained on and employ formal Quality Management expertise to facilitate workshops with partners and vendors to address defective practices.

**Results**

The new Strategic Sourcing & Supplier Management team deployed through the Project was a center of excellence for procurement, vendor management and formal quality management expertise. A snapshot of the team’s annual performance measured in the first year of implementing a balanced scorecard included the following results and subsequent targets:

KPI	'09-'10 TARGET	'09-'10 ACTUAL	'10-'11 TARGET	'10-'11 ACTUAL	STATUS
<b>Procurement Return (%)</b>	<b>1%</b>	<b>2.79%</b>	<b>2%</b>		
Cost Savings (\$'s)	<b>~\$1.5M</b>	\$1,895,790			
Cost Avoidance (\$'s)		\$11,914,115			
<b>TOTAL Savings &amp; Avoidance</b>		<b>\$13,809,905</b>			
<b>Supply Management</b>					
Contracts with a SAR	<b>N/A</b>	N/A	<b>85%</b>		
# of QBRs	<b>12</b>	13	<b>20</b>		
Supplier Performance (#)	<b>3.9</b>	4.10	<b>4.0%</b>		
<b>Cycle Time (%)</b>	<b>85%</b>	86%	<b>87%</b>		
<b>Client Satisfaction (%)</b>	<b>N/A</b>	N/A	<b>68%</b>		

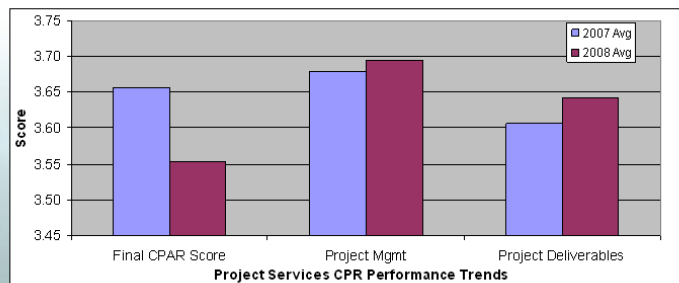
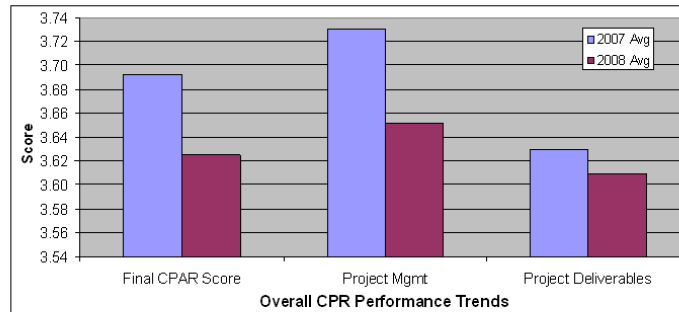
Beyond the hard metrics, the procurement processes the Project team implemented for the Client delivered significant benefits to the entire organization by working with suppliers and business partners to maximize the value created from our overall expenditure on materials and services through strategic focus, teamwork and effective supply chain management. This was reflected in the new Supplier Performance Program we developed and rolled out to measure and improve quality of supply. An early example is provided below:

# Contractor Performance Review Results

CPARs	'07	'08	'09
Construction	51	23	

## Findings:

- Need to ensure process / scoring is applied consistently
- Outliers to investigate
  - 2.68
  - 2.66
  - 2.30
  - 4.40
  - 4.24
- What can we learn from the hi/lo CPAR scores to improve the overall supply chain?



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12

The Project created a high performance team by putting in place the right people in the right roles. We then proactively managed our performance and continuous improvement through the department's "Balanced Scorecard" that included Client and Supplier KPIs representing the performance objectives of the new Team, forming department and individual scorecards. The scorecards were the control data the ORC executive team used to assess our results and the levers by which our operations were adjusted as necessary. Adjustments were done in the regular individual reviews I conducted with team members as well as in our regular Monthly Operational Reviews and Quarterly Business Reviews ("QBRs"), which were typically three-day team workshops to review performance, train on new skills and plan upcoming priorities.

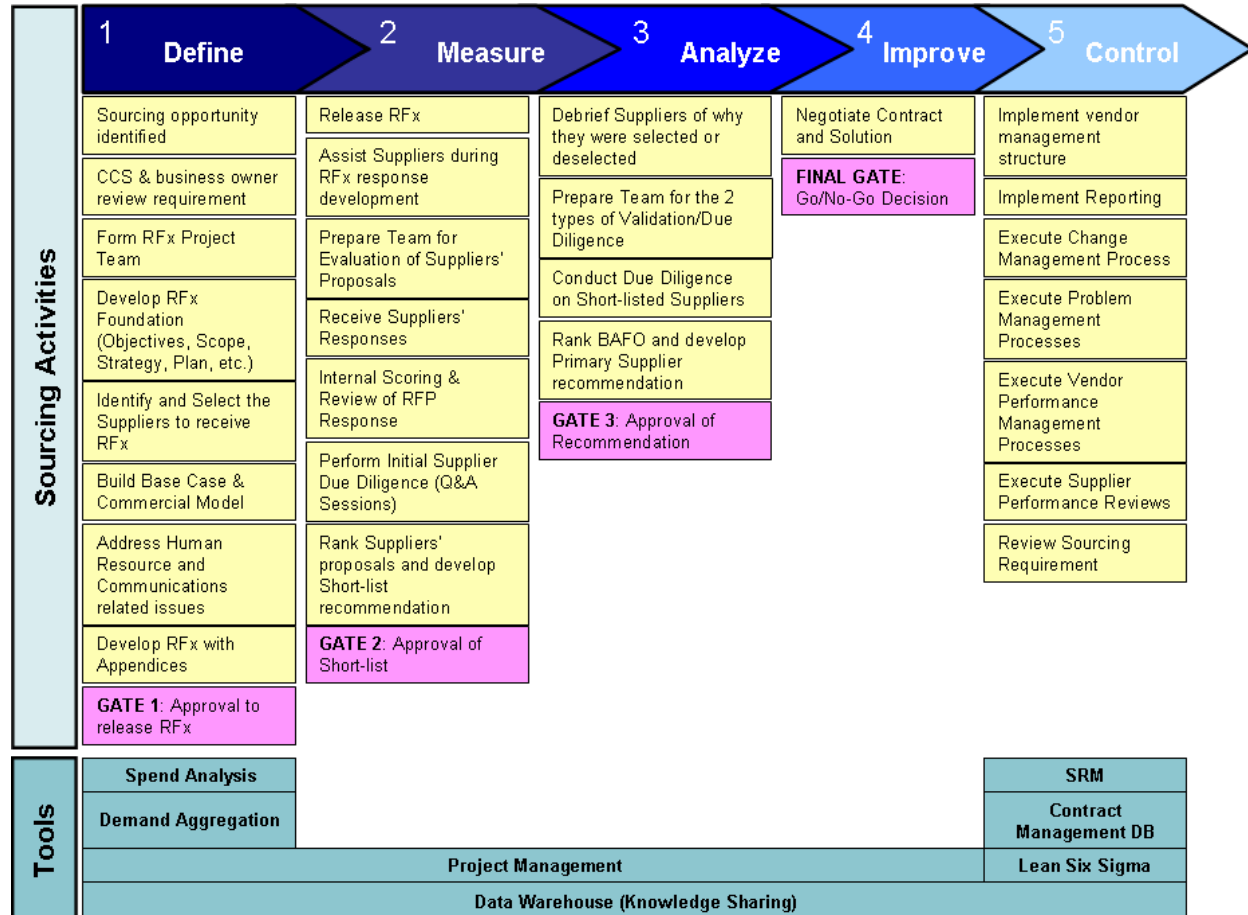
During the transformation, the Project Manager facilitated the lion's share of the working sessions because the team was unfamiliar with many of the new skills and requirements that were being introduced. Roughly one year after the initiation of the transformation the training sessions, including workshops on effective vendor management, quality management fundamentals, and negotiation techniques, were performed by key members of the Client's team. Their performance leading this team training was as good or better than could have been delivered by the Project, demonstrating how successful our team-building efforts had been!

## Insight

The Project deployed the team in a "Category Management" approach to focus specific expertise and optimize Team Members' capacity. This allowed them to meet the quality improvement and cost savings objectives that were set for my team each year.

## Solution

The procurement organization deployed featured a defined, disciplined approach to optimizing total cost of ownership thereby maximizing our competitive advantage in the marketplace. To accomplish this I introduced a comprehensive Strategic Sourcing methodology that is a rigorous 5 Step methodology intended to identify Total Cost of Ownership savings and performance improvement opportunities.



### Results

A snapshot of some of the indirect procurement activities executed in one fiscal year at ORC is included below:

Activity	~Spend	BU	Q1	Q2	Q3	Q4
RFP - 222 Jarvis Site Threat Risk Assessment Consultant	\$75k	Project Services	■			
RFP - Downsview Commissioning	\$250k	Project Services	■	■		
RFP - Downsview Child Care Centre Design Consultant	\$100k	Project Services	■	■		
RFP - Downsview Traffic Engineering Consultant	\$75k	Project Services	■	■		
RFP - Key Site Consulting Services	\$1.2M	Project Services	■	■	■	
RFP - Consultant to Review Completed Project Designs	\$100k	Project Services	■	■		
RFP - Trillium Court Planning Design & Compliance Consultant	\$900k	Project Services	■	■	■	
RFP - Trillium Court PMSP	\$1.1M	Project Services	■	■		
RFP - Trillium Court Design Build RFP	\$16M	Project Services	■	■	■	
RFQual - Prequalification Architect & Interior Design Consultant Source List	\$300M	Project Services	■	■	■	■
RFQual - Prequalification Engineering Consultant Source List		Project Services	■	■	■	■
RFQual - Prequalification for General Contractor Source List		Project Services	■	■	■	■
RFQual - Prequalification for Key Trades Contractor Source List		Project Services	■	■	■	■
RFI - Furniture VOR	\$10M	SAM	■			
RFP - Furniture VOR		SAM		■	■	
RFP - Orillia Feasibility Study	\$200k	SAM	■	■		
RFP - Owen Sound Space Planning & Design Development	\$100k	SAM	■	■		
RFP - SW Municipal Planning/Site Plan Development	\$250k	SAM	■	■		
RFP - Kingston Space Planning & Design Development	\$50k	SAM	■	■		
RFP - Northern Space Planning & Design Development	\$500k	SAM	■	■		
RFQual - Prequalification Real Estate Advisory Services Source List	\$500k	SAM	■	■	■	■
Activity	~Spend	BU	Q1	Q2	Q3	Q4
RFP - Payroll Services	\$60k	Finance				■
RFP - Requisition to Payment	\$1.4M	Finance	■	■		
Refresh - VOR Outplacement Services	\$100k	HR				■
RFP EAP Services	\$150k	HR	■			
Benefit consultant to assist with RFP for Group benefits	\$300k	HR				■
Consultant to assist with RFP Pension Plan Record Keeper	\$300k	HR	■			
VOR Refresh - Recruitment Services	\$250k	HR				■
RFP Employee Survey	\$100k	HR	■			
Employee Performance Evaluation	\$25k	HR	■			
RFP - Network Services	\$3.5M	IT	■	■		
RFP - Print Per Page	\$3.5M	IT	■			
RFP Threat Risk Assessments	\$250k	IT		■		
RFP - Server Hosting for ORC Website	\$100k	IT			■	
RFP - ERP Consultant	\$500k	IT			■	■
Activity	~Spend	BU	Q1	Q2	Q3	Q4
St Thomas Mental Health Facility- Environmental Remediation	\$ 3M	AFP Initiatives	■			
Hamilton Mental Health Facility - Environmental Remediation	\$200k	AFP Initiatives	■			
Penetanguishene Mental Health Facility -Stage 3 Archaeology for	\$350k	AFP Initiatives		■		
OPP Modernization - Dryden Site Acquisition - Planning & Design	\$50k	AFP Initiatives		■		
OPP Modernization - Dryden Site Acquisition - Survey and	\$80k	AFP Initiatives	■			
OPP Modernization - Dryden Site Acquisition - Phase 1 & 2	\$250k	AFP Initiatives	■			
OPP Modernization - Dryden Site Acquisition - Archaeology	\$35k	AFP Initiatives	■			
OPP Modernization - Dryden Site Acquisition - Geotechnical	\$80k	AFP Initiatives	■	■	■	
OPP Modernization- Planning & Design Services - final site plan	\$50k	AFP Initiatives				■
Hamilton Psychiatric Hospital - Peer Review of ProjectCo Work	\$5k	AFP Initiatives	■			
St. Thomas Psychiatric Hospital - Peer Review of ProjectCo Work	\$5k	AFP Initiatives	■			
Penetanguishene Psychiatric Hospital - Survey Plan	\$20k	AFP Initiatives	■			
Toronto West Courthouse - Designated Substances Survey	\$25k	AFP Initiatives	■			
Toronto West Courthouse - Survey	\$25k	AFP Initiatives			■	