

# SIP: Overview of Current Best Practices in Procurement

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## Executive Summary

The Oregon Department of Administrative Services State Procurement Office (DAS-SPO) has embarked on a strategic improvement project to ensure that it provides customers and stakeholders the best service possible while ensuring good value and integrity to taxpayers. Procurement shops around the world are feeling the effects of limited resources, changing employment demographics and increasingly complex procurement needs. Those on the leading edge take proactive steps to address these issues and adapt to the new realities facing the public sector today. The goal is an efficient, effective and innovative procurement system that supports government agencies subject to Oregon's Public Contracting Code, ORS 279, to meet their business needs in a legal and timely manner that ensures thoughtful stewardship of the State's resources.

To achieve that goal, DAS-SPO must work to ensure that its operations are consistent with best practices in the procurement industry. Multiple sources indicate that the State of Oregon is considered forward-thinking and progressive in its policies. DAS-SPO has made great strides already in improving efficiencies, rewriting and clarifying the rules that govern procurement and improving flexibility in the many paths to procurement, but there is always room for improvement.

The report examines best practices in procurement by examining what other procurement organizations are doing to improve efficiency, flexibility and customer service, DAS SPO can decide which techniques would advance their goals and tailor them to the agency's specific needs.

Three emerging issues drive this effort: the evolving role of central procurement organizations, the changing workforce demographic, and the pervasive influence of technology in all purchasing sectors. The best practices report helps address these issues and their effects on procurement.

## **Purpose/Focus of the Deliverable**

- Identify major trends and issues emerging in procurement.
- Research best practices that address those issues.
- Provide examples of practical applications of those practices.

## **Information Sources**

- Strategic Improvement Project (SIP) sponsors
- State Procurement Office (SPO) staff and stakeholders
- Procurement organizations such as the National Association of State Procurement Officials, National Institute of Governmental Purchasing (NIGP), National Purchasing Institute (NPI), etc
- States such as Georgia, Florida, Arizona, Michigan, Washington, Virginia, Indiana, Minnesota

## **Deliverable Structure**

- Emerging issues in procurement.
- General best practices in procurement, divided into the five categories used by the National Purchasing Institute to evaluate candidates for its prestigious Achievement of Excellence in Procurement Award: professionalism, innovation, e-procurement, productivity and leadership.
- Innovative practices or methodologies currently being used by public procurement agencies.

## Emerging Issues

- **Evolving role of state procurement.** Shift from pure purchasing to supply chain management. Analysts move from gatekeepers to facilitators of relationships between client agencies and suppliers. "Procurement staff must understand the big pictures/business needs of the agencies they serve and perform strategically to drive results that achieve the agencies' missions." (NASPO)

- **Changing workforce.** As workers from the “baby boom” generation retire, public procurement shops must find ways to attract and retain a new generation of workers.
- **The influence of technology.** Web-savvy customers now expect 24/7 service and immediate response. They have no tolerance for delays or cumbersome processes. Technology requires new skills from procurement professionals and has increased transparency of the process.

**Best Practices in Procurement (five NPI categories):**

**1) Professionalism**

- Legislation or ordinance based on American Bar Association’s Model Procurement Code.
- Professional staff training program with continuous formal training for employees.
- Chief procurement officer holds a four-year degree and a CPM, CPCM or CPPO certification.
- Sixty percent of staff holds a four-year degree and a CPM, CPCM, CPPO or CPPB certification.
- A staff member has served as officer, board member, director or committee chairperson with a national or regional purchasing association.
- A staff member has served as presenter or panelist at a national or regional conference, or authored a published article on procurement.

**2) Innovation**

- IT purchasing:
  - Write solution-oriented bids
  - Use value-based purchasing
  - Form long-term strategic partnerships with qualified vendors
  - Share risks and benefits with vendors
  - Create a pool of qualified vendors
- Sustainable procurement:
  - Form a stakeholder team to analyze issues and opportunities
  - Establish baseline product inventory data and social and environmental impact indicators
  - Set goals for the procurement and use of sustainable goods and services
  - Adopt a policy and protocols required for social and environmental goals
  - Evaluate standards and issue specifications to identify producers with verified social and environmental attributes
  - Improve staff and end-user practices
  - Measure progress towards social and environmental goals
- Strategic sourcing
- Cooperative purchasing
- Reverse auction
- Purchasing cards
- Preference policies – in-state vendors, reciprocal preferences, vendor-based price preferences
- Multiple award contracts

**3) E-procurement**

- At minimum, should include supplier management, electronic notification of bids, reverse auctions and electronic catalogs.
- Should be linked to government accounting systems with automated electronic invoicing, evaluated receipt settlement and accounts payable processes.
- National Purchasing Institute recommends online vendor registration, electronic posting and distribution of solicitations, e-mail notification of solicitations, electronic bidding, posting of tabulations and awards, online auctions, and electronic purchase orders.

**4) Productivity**

- Web page with a “how to do business” guide (e.g. Secretary of State’s Corporations Division)

- Formally established ethics policy with enforcement and training
- End-user and vendor training
- Performance measures
- Procurement manual that has been published or revised within the past five years
- Internal and external customer service survey every three years

#### 5) Leadership

- Center-led organizational structure. Allows central procurement authority to focus on training and education, performance measurement, dispute resolutions, system oversight and supply-chain management. Agencies are empowered to conduct procurements over which they are SMEs while central authority consults, provides support and ensures compliance.
- Chief Procurement Officer holds a four-year degree and a CPM, CPCM or CPPO certification.
- A staff member has served as officer, board member, director or committee chairperson with a national or regional purchasing association.
- A staff member has served as presenter or panelist at a national or regional conference, or authored an article on procurement.
- Procurement agency has served as lead in a cooperative bid.

#### What's next?

- Best Practices Recommendations in Oregon relevant to Future Business Model
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