

# MATERIALS MANAGEMENT NEWS

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**Greetings from the Chair**

*Terry R. Volpel, CPSM, C.P.M., SCMP*

It has been a great summer for the Materials Management Group (MMG). At ISM2016, held this year in Indianapolis, IN, our group was awarded the Group/Forum Excellence award AGAIN. While I have accepted the award on your behalf for the past three years, I feel a bit guilty standing on stage when the credit goes to all of you who work hard to get our message out. I can't begin to count the number of times our Group has been recognized. In particular our Board (their names are here) brings both academic as well as functional expertise to our mandate. We have some serious talent representing our Group to the profession and I couldn't be happier.

At ISM2017, my term will be up as chair of the MMG. We are in the process of looking for the right candidate and I am sure we will come up with the right person for the job. I have enjoyed my time as chair but will be ready to take a less active role as past chair.

This newsletter includes an article by Michael Asner. An internationally recognized expert on the RFX process, you may have had the pleasure of taking one of his seminars. I hope you enjoy the article.

Have a great fall and winter.

Terry Volpel, CPSM, C.P.M. SCMP, LSSBB

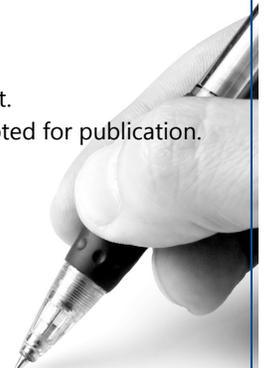
Chair, Materials Management Group

The Materials Management Group (MMG) promotes professional development, best practices and networking opportunities within ISM affiliates, Groups and Forums, and within our broad profession. In alignment with our mission, we are inviting our members to submit articles and best practices that may be shared among our readers. Articles selected will be published in the MMG Newsletter, a bi-annual publication. MMG reserves the right not to publish articles it does not deem relevant or appropriate.

Guidelines for articles:

- ⇒ The article(s) may be submitted in a Word, Excel, or PowerPoint format.
- ⇒ Articles that reference supplier names and/or pricing will not be accepted for publication.
- ⇒ Submission deadline is November 3, 2016
- ⇒ Please submit your articles to Terry Volpel at [tvolpel@shaw.ca](mailto:tvolpel@shaw.ca)

We look forward to receiving your article.



## Unicorns in Public Procurement—Empowering Procurement to Say “No”!!

Michael Asner

In our grandchildren’s fairy tales, we often encounter mythical beings, unicorns that represent the attainment of all things good and wonderful. In the world of procurement, however, such creatures are always elusive.

One such ‘beast’ of an idea is the notion that procurement *can and should* be able to:

- Help the users to develop better statements of work (SOW)
- Utilize the SOWs to create clear and complete RFPs which support the evaluation process
- Prepare contracts from the SOW and RFP that fully implement the work as required.

Like most things that rely on good will and magic, the above elusive unicorn would also result in everyone in the kingdom of Procurement-Land living happily ever after. Everything in this make-believe scenario would be accomplished on budget, with no change orders and no costly screw-ups being ~~dumped on~~ blamed on procurement staff.

We all know what needs to be done. In our imagined world of rainbows and unicorns, there are three processes that need to fit together and work in harmony.

### **User Groups Would Cooperate with Procurement.**

Users would work with Procurement to develop a clear and complete Statement of Work – what they want done. This SOW would be based on ‘best practices’ and a Guide prepared by Procurement.

**Contract Management, Procurement and User Groups Would Work Together.** Procurement, with help from the Users, would develop a complete and unambiguous RFP, including the Evaluation Process. Then, the Evaluators, led by Procurement, would review the proposals, determine the ‘best value’ and recommend the winner. This process would be based on ‘best practices’ for both RFPs and Contract Management, and based on another Guide prepared by Procurement.

**Contract Management Would Be Done.** Contract Management would take the Contract prepared as part of the RFP Process and implement the solution. This process would be based on ‘best practices’ and directed by a person knowledgeable about contract management.

In practice (in most agencies), each of these processes is completed without much input from the others. The SOW is often incomplete. The RFP doesn’t contain a well-defined evaluation process. The resulting contract doesn’t contain a remediation process nor does it link payments to deliverables.

Each of these processes – Developing a SOW, Preparing the RFP, and Managing the Contract - is a silo!

### **So How Do We Get Everyone Working Together?**

Here’s a plan: Senior management empowers procurement by placing it as the grown-up in charge.

Those of you who have looked after grandchildren or children, in general, know quite well that they do not work together easily. Sometimes they have to be forced or otherwise incentivized into it by the grown-up left in charge.

Organizational management often presumes that everyone plays nicely and negotiates fairly with each other and if they don’t then ‘oh well’. On any quest, individuals should want to work together and respect each other’s issues to make sure the journey flows smoothly. But questers without any form of strong leadership to remind them to focus will often devolve into toddler states along the way thereby losing much money for their organizations.

### **Why Should Procurement be put in Charge?**

For this simple reason: They are the conduit and interface between the user group and contracting. They identify sources, solution, handle the proposals, do the evaluations, track all the details, recommend or make the final award. Procurement is professionalised. They are taught what to do and how to do it. Besides, they are often held responsible anyway if things go sideways, even when they don’t have the authority to force compliance. So, given they’re on the hook, why not give them the power to do the job right in the first place?

There are three critical success factors to ‘getting it right’. You have to start with an accurate and complete statement of work. The RFP process has to be fair and the resulting contract has to be properly managed to protect the Agency. These three activities are inter-related and a successful project requires that each of these three activities reflect the other two. You cannot have a successful outcome based on an incomplete SOW, or a flawed RFP or a contract lacking basic protections for the agency.

So here is a first step towards your projects being completed on time, within budget and with the deliverables as expect. It involves improving each process, letting each process reflect the other two.

### **First, the Statement of Work.**

The users have to describe what the problem is or what they want. It’s not good enough to say “we need a better voter registration system”. Care must be taken in developing this description, the statement of work, so that the description is unambiguous, complete, not unduly restrictive. This activity, developing a Statement of Work, is often completed by the Users without much involvement of procurement people.

This seemingly simple task is, in my opinion, difficult to do

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well. Users are usually the largest barrier to ‘getting it right’. There is a large body of best practices related to SOWs; there are courses, books, templates, and guides all designed to help the user in developing this description. However, in many organizations, the users start with a blank piece of paper. They don’t receive any training or guidance in doing this task.

On a score of 1 to 10, most organizations get a meagre ‘4’ in doing this properly. And a poorly written statement of work leads to an incomplete or misleading RFP.

So, how do we do better? Simply provide some direction to our users. Some training. A guide on how to write this description. Doing some of this will get the score from ‘4’ to 8 within months.

### **Next in the process is the RFP itself.**

This document, usually developed by procurement people, incorporates the Statement of Work and other requirements of the agency. Here too there is a large body of best practices. There are courses, books, templates and guides. Many organizations have professional procurement people who know about this document. So they do a reasonably good job in developing the RFP document and running the evaluation process.

So using a score of 1 to 10, most organizations get a ‘7’ in terms of creating an RFP and running the process. However, if the RFP document contains a flawed SOW, then problems will be passed through to the vendors and the vendors proposals will be based on this incomplete or ambiguous data.

### **Finally, there is the Contract with the Vendor**

Most agencies do not manage the contracts once they are awarded. They simply solve problems by permitting the vendor to submit a change orders. This may solve the problems but invariably increases the cost.

So, how do we manage problems that occur during the contract period. Well, first we have to have a process specified in the contract to identify the problems as they occur and to propose solutions. Also, we have to incorporate contracting practices which protect our agency. For example, let’s link payment to performance so we only pay the vendor when it completes some task identified in the contract and linked to its proposal.

However, good contracts are the result of a solid proposal from the vendor based on a solid RFP which contains complete and accurate information about the requirements.

So, once again, using our 1 to 10 score, it has been my experience that many organizations get less than ‘4’. They simply do not manage contracts and default to the vendor.

### **Capturing the Unicorn**

So how do we capture that mythical creature which, to overuse the metaphor, represents procurement nirvana? It’s simple. To have fewer overruns due to change orders, get a better statement of work from the users. Adopt a template or a checklist for its contents. Then expand the RFP to deal with contract issues such as tying money to performance. And finally, actually manage contracts and if a vendor does not perform adequately, then take remedial action.

These three steps need not cost a lot of time or money and will produce projects which are delivered on time, within budget with fewer surprises during the process.

So, how do we do better?

1. If your Statements of Work are incomplete and ambiguous, provide the users with a Guide or Template.
2. If your RFPs and the RFP process are a problem, expand the process to deal with developing Statements of Work and expand the RFP itself to include contract management provisions.
3. If your Agency has little contract management, then put contract management as a requirement in the RFP and in your draft contract, assign responsibility for contract management.

Finally, if we can only do one thing to improve our overall success rate, what would it be? Easy! Have procurement be responsible for the Statement of Work, responsible for the RFP process, and responsible for ensuring that the proposed contract had a remediation process and linked payment to deliverables. Empowering professional procurement people to say ‘no’ will reduce the number of change orders and improve the project’s probability of being on time, within budget with the expected deliverables.

Then, everyone can live happily ever after!

Unicorns’ rock!!



Michael Asner is an independent consultant specializing in public procurement. He is author of *The Request for Proposal Handbook* and a frequent speaker at conferences throughout North America.

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