“Coming together is a beginning, staying together is progress, working together is success.”

Henry Ford

Encouraging Collaborative Behaviour Across the Public Sector...

As we begin 2010, we leave behind one of the most volatile and some would say traumatic years that finance and procurement has seen. Of course the effects will be seen and felt for a long time to come as public sector procurement takes centre stage in driving out the savings and efficiencies needed to protect front line services. Amongst the hot topics emerging during this time, the role of collaboration in making the Procurement function increasingly efficient, innovative and commercially influential looks set to dominate thinking in 2010 and beyond.

Of course, Collaboration in public procurement is not new. However, the Office of Government Commerce (OGC) now expects almost a third of hundreds of millions of pounds worth of savings from energy buying to be a direct result of collaboration. Much of the conventional thinking with regards to collaboration has had to go through a dramatic overhaul in order to have a realistic chance of delivering these savings and replicate them in other categories. The Operational Efficiency Review (OEP) published last year, laid out in every respect the savings that public sector needs to pursue. Of all the savings described in OEP, logically none would seem so attainable as those in the Collaborative Workstream report. Of course the common sense that underpinned OEP has little to do with the reality of creating such a seismic wave in the way Public Sector Procurement approaches collaboration. A significant win associated with the approach taken to energy is in addressing the duplication of effort in procuring this category. OGC identified that 250 different OJEU notices for energy were published by UK government organisations in an 18 month period. This is a clear intention of a very different approach to purchasing energy and other commonly bought goods and services in the future.

As everyone knows ‘collaboration’ is not about rewording an OJEU so other organisations can use a contract nor is it a semi-formalised arrangement between two or more organisations when they have identified a common or similar requirement. Clearly collaboration
Collaborative Procurement - Why It Matters

“Procurement has to demonstrate that it is able to influence 100% of its organisation’s spend. If it can’t then there is little chance of procurement being seen as relevant in the future or of it being able to drive value from over £200bn worth of third party spend.”

David Shields
Director of Markets & Collaborative Procurement
Office of Government Commerce

Collaborative strategies possess many elements. The most important ingredient (apart of course from ambition) is Governance. There is obvious progress with the forming of Collaboration Boards to identify and drive collaboration across a range of identified categories. This needs to be underpinned by long term assurance of commitment to subscribing to the collaborative ideal right across the public sector. Whilst it is evident that a collaborative mentality already exists, for example in local government, this tends to be accompanied by strict sector and regional boundaries. This has never been fully explained – there is huge commonality between the goods and services bought so why would you constrain yourself in this way? Clearly it is a duty of local government to stimulate local economies but there is no reason for procurement to confine itself when there are other regional or national agreements offering value for money opportunities. The focus for leading on and delivering savings will increasingly be on wider public sector, responsible as it is for 70% of public sector third party expenditure. It is vital that the public sector as a whole takes its lead from the best exponents whether in central or local government, Health, Defence or Education.

Collaboration boards need to rationalise the number of collaborative agreements

The number of contracting authorities has itself led to a significant part of the problem. A multitude of agreements for the same things abound across government – 79 for printing and stationery on the Zanzibar government marketplace alone and doubtless hundreds more elsewhere. They can’t all be ‘best value’. Examples in Zanzibar demonstrate huge anomalies in the price paid by different organisations for basic goods such as recycled paper. There is also the massive cost in duplicated effort in putting all these arrangements in place. The priority of the collaboration boards has to be assessing whether the deals offered under the collaboration banner are:

- Necessary; and
- True value for money

There has to be a firm policy framework that governs public sector buyer behaviour. This requires a commercial rather than regulatory focus including a model for developing collaborative procurement strategies with defined outcomes and KPIs to measure both the performance of Suppliers and the Procurement discipline itself.

On the process and system side, eProcurement is vital in enacting collaborative strategies and realising their benefits. Again the proliferation of systems doing various procurement related things is not particularly helpful. eSourcing tools and techniques such as eAuctions have much to offer collaborative procurement, particularly when aligned with strategic projects and programmes. However what happens post award is even more critical. On the transactional side Zanzibar is now making real progress in helping departments and programmes like Value Wales get control of their spend and deliver savings. Zanzibar has the capability to go way beyond this in underpinning sustainable gains from real public sector procurement collaboration. There has to be one shop window where best value collaborative agreements are showcased and accessed. Of course Zanzibar can already do this but any system is only as good as the content that is in it and the people that use it.
Zanzibar is the obvious vehicle to host and provide access to the collaborative deals

Zanzibar is the obvious vehicle to host the high quality collaborative agreements that government needs if it is going to achieve the OEP targets. The importance of high quality catalogue content cannot be underestimated. The presentation of electronic catalogues needs to be superb and mirror the buyer’s expectations from their personal home shopping experience. Suppliers who revamp their catalogues regularly see a major upturn in sales. Some, such as Muddy Puddles, the children’s clothing company, reported a 100% increase in sales in the quarter following a reworking of their online catalogue.

Of course, it is imperative that public sector buyers actually use the system once they have it. This should be a matter of policy and compliance needs to be monitored as part of Procurement’s KPIs. This is not just about an efficient and standard buying process – the transaction information captured in the system gives the management information upon which the biggest benefits are based. This informs the performance measures as well as providing crucial compliance, benchmarking and demand management, sustainability and capacity planning information.

So having got the governance, policy, agreements, systems, processes, content and measures in place what else has to happen?

Clearly increasing the number of organisations using Zanzibar (a recommendation of OEP) including making those responsible for spend beyond their departmental boundaries into a ‘gateway’ for others to use the service. ProcServe has done much to make sure that the service integrates with a wide range of back office systems and is accessible and free to suppliers. It is the acid test of the commitment to collaborate of public sector bodies, particularly those who contributed to its existence in the first place, that they both deploy and fully utilise the service.

Collaboration is likely to generate far reaching changes in the procurement operating model within individual organisations and across the landscape generally. If the plethora of agreements for commonly bought goods and services (along with the associated duplicated tendering and contract management activity) is no longer needed then a new and streamlined procurement service will emerge. This does not mean the end of the departmental procurement professional. Logically it would mean fewer experts taking a far more strategic and commercial role on behalf of their own and other organisations and bringing them much closer to the real business of government. The Department of Work and Pensions is already taking innovative steps to use the expertise and technology at its disposal to broaden Procurement’s role in its Programme work. There would be much more scope for procurement professionals to be dedicated both to driving out benefits from collaboration as well as getting involved in far broader commercial and economic activities both in their own organisations and across the wider government community. There would certainly need to be a major structural change to support this new operating model and with the recently announced restriction on Professional Services spend much of the resource and expertise will have to come from within Government itself.

It has become clear that a ‘stovepipe’ approach to public sector procurement is unsustainable. Although claims to uniqueness by organisations and sectors are still in evidence, it is apparent that a new realism is emerging as Procurement strives to demonstrate that it is cohesive and consistently value adding. Collaboration has a major role to play in putting Procurement in front and centre of joined up government the 21st century. Making the quantum leap to realising this is the challenge. There is plenty of scope for exploitation of capability that is already there whether in the shape of people, systems, contracts or other arrangements. In an environment of ‘more for less’ there is a need to drive down duplication and broaden the scope and range of these capabilities. Examples include:

- Putting more emphasis on the use of professional buying organisations and placing more and wider responsibility upon them (and not replicating what they do within individual buying organisations)
- Maximising the use of eProcurement tools and techniques, particularly those that are available on Buying Solutions frameworks in a drive to standardise processes and get meaningful and consistent Management Information
- Expanding the terms of reference of collaborative governance groups and increasing the profile of participants as well as devoting more resource to pan government activities.

Example of Savings:

A direct like for like comparison of prices paid for a basket of goods including Stationary, IT and three types of office equipment showed a public sector organisation saving £135.51 by using collaborative contracts - a saving of 17.35%.

Source: Zanzibar Management Information System

‘Government can make approximately £6.1billion annual value for money savings by 2013/14 through greater uptake of collaborative procurement.’

Operational Efficiency Programme, HM Treasury
“Collaboration equals Innovation”
Michael Dell

“We know eProcurement cannot deliver by technology alone, it’s only by us working together, by collaborating through partnership, standardising business processes and establishing significant business change culture. The challenge for us in the public sector is how do we take what is often seen as a technical process [public procurement] and make it a driver for improved public services and also saving the public money.”
Andrew Davies
Minister for Finance & Public Services Delivery
Welsh Assembly Government

“I collaborate therefore I know”
KM World Magazine

GET STARTED TODAY!
To learn more about Zanzibar and Collaborative Procurement, please call us on 0207 333 6161 or email us at info@procserve.com.

©ProcServe Holdings Limited 2010
ProcServe® is a registered trademark of ProcServe Holdings Limited