



How to use COLLABORATIVE AGILE PROCUREMENT TO DRIVE VALUE

As a company The Integral Group's vision is
"A world where the good guys win".

In procurement this means

the best suppliers get the business

the best clients get the best suppliers

it also means **the bad guys** get their just deserts
(clients and suppliers)

The longer we have been in this game the more Collaborative and Agile we have become. Procurement and contract management can be easy, fast and effective if you know what you are doing, or really bad if you don't.

Agile procurement is the latest buzzword. Most of the Agile procurement we have seen is:

- not agile
- not procurement – from a probity, policy and **defendable** point of view.
It would not stand scrutiny or audit.

Most procurement is slow, cumbersome, demanding and costly. By comparison we have developed procurement processes and models that are far more agile, while being defendable. This has been to simplify the procurement, make it more attractive and reduce the work and costs for all parties. This lines up with the New Paradigm for Procurement, and the key objectives for procurement and contract management:

- know what you want and need
- attract the best suppliers (more agile processes are more attractive to suppliers)
- choose the right ones
- manage them fairly

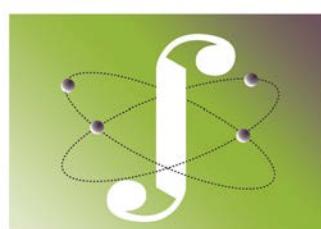
Simple processes, minimal questions, good planning and fundamental discipline are the keys to having Agile procurement processes.

We do in hours and days what others take days and weeks to do. Most importantly, the processes are still robust and defendable – Agile.

Agile is also about being flexible in regard to strategy:

- what will be attractive
- simple as possible
- minimal effort
- but defendable – probity

The Integral Group Ltd



The New Paradigm for Procurement

In 2014 out of frustration with poor public sector procurement we developed a **New Paradigm for Procurement**:

- collaborative
- courteous
- considerate

We have applied this paradigm and the new models successfully for quite small projects right through to reasonably large infrastructure projects and large maintenance contracts.

Now we are heading into tough times and it is the time to work together with the supplier market to get the best results for all involved. It is time to leave behind the old master/servant models and behaviours, along with lowest price models, and work collaboratively to get the best value from the procurement that we need to do. Collaborative procurement requires mutual trust. This is one of the hardest things for traditionalists to get over in the move to more collaborative models.



Introduction

Collaborative procurement is all about working with suppliers rather than against them. It is fundamentally trust based. Key industry people are advocating collaborative procurement models. The challenge for a lot of people is that they have only ever known master/servant procurement and contract models. Some don't want to change, they like being the master. Others want to change, but don't know how to at a day to day level.

We have developed models that apply a collaborative approach, even to reasonably traditional contracts, from quite small to very large.

The fundamental objectives for procurement and contract management are:

- know what you want and need
- attract the best suppliers
- choose the right ones
- manage them fairly

In today's market councils are competing to get the best suppliers, with other councils and the private sector. So they need to be thinking:

- how can we be the client of choice?
- how can we attract the best?

This starts with clear requirements, attractive contract models, and fair and efficient procurement processes.

One of the fundamental elements for driving value in procurement is moving away from lowest price models to best value models. We achieve this through using a **preferred respondent technique** (explained below). This takes the focus off price and means we can run effective processes with little or no weighting on price.

This gets away from the downsides of focussing on price to select suppliers:

- race to the bottom
- suppliers not making any profit or going out of business
- fighting with suppliers over variations
- poor performance and levels of service



Applying the collaborative approach

How we apply collaboration in procurement is:

- develop a procurement strategy and contract model that will attract the best suppliers
- **talk to the suppliers** before formally going to the market to test and validate the approach – this doesn't have to be a demanding formal process – hours not months
- use a two staged approach – really simple Registration of Interest (ROI) to select a shortlist to take through to the Request for Proposal (RFP):
 - this gives all suppliers a chance
 - the ROI is very minimal so doesn't cost suppliers much in terms of money or time
 - it means the shortlisted suppliers have a better chance of success
 - it cuts down the work for the council and the suppliers
 - it enables us to have **one on one pre-RFP discussions** with the shortlist to talk through the draft RFP and make sure it is complete and makes sense – clarity
- in addition to paper based RFP evaluations we do **interactive workshops** (2 to 3 hours) with shortlisted suppliers so that we can talk with them, see what they are really like, and see how council staff and the suppliers get on. We have done simple short versions of these for smaller contracts. We have a philosophy of setting people up to succeed.
- at the end of the evaluation process we select a **preferred respondent**. This means that we can now collaboratively work with them towards a value based agreement. This is a contract set up phase where we **discuss and agree**:
 - scope and roles
 - pricing
 - health and safety requirements
 - contract
- these discussions are on the basis that if you can't agree the terms with the preferred respondent then they get parked and you work with the next best. What this means for the council is:
 - you get the most fit for purpose supplier
 - then you work out details including pricing together
 - if you agree, then they become the contracted supplier
 - if you can't agree then you move onto the next best



Action

Want to know more, [contact us](#) for more information.



Frank's experience

In procurement and in particular council procurement includes:

- Started trading on his own in 1998 and set up The Integral Group Ltd in 2001
- Personally worked with 53 councils and over 15 council senior leadership teams
- Run over 200 procurement projects in over 70 categories
- He has set up 5 alliance contracts (3 roading maintenance, 1 3-waters maintenance, 1 IT support services)
- Negotiated over 350 commercial contracts
- Was one of three procurement trainers engaged by the Ministry of Business Innovation and Employment (MBIE) to do procurement training for the public sector for 4 years. As such, he is very aware of the rules of procurement and how they apply to councils and what the Office of the Auditor General looks for
- TIGL are The Society of Local Government Managers (SOLGM) preferred trainer for procurement, project management and contract management since 2009. Frank has delivered over 70 training workshops in these areas

**www.tigl.co.nz
04 914 2873**