



REINVENTING GOVERNMENT THROUGH STRATEGIC SOURCING OF GOODS&SERVICES

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PROFESSIONAL SETTING

State of New Jersey-Department of the Treasury

- Office of Management and Budget (OMB)

- Mission: “to advise the Governor in preparing the State budget and to supervise its administration among various State agencies”

- Division of Purchase and Property (DPP)

- Mission: “to professionally and ethically procure the best valued products and services in a timely manner and in accordance with State laws and regulations”

BASIC CONCEPTS-THE GOAL OF THE PROJECT

- What do we mean by “reinventing government”?
- What is “strategic sourcing”?
- Why did states embrace strategic sourcing?
- The Goal of the Project and Related Tasks
 - Best Practices among the States
 - Analysis of NJ’s Earlier Strategic Sourcing Program
 - Collection and Analysis of the Statewide IT Spending
 - Collection and Analysis of the Statewide Vehicle Spending

BEST PRACTICES AMONG THE STATES

- Delaware: “Partner\$ in Procurement”
 - “The first state” implemented the first strategic-sourcing program among the 50 states
 - The total amount of annual savings: \$20 million
- Pennsylvania: “Strategic Sourcing Initiative”
 - The total amount of annual savings: \$180 million
- California: “Strategic Sourcing Initiative”
 - The total amount of expected savings in strategically sourced computer hardware and software contracts: \$104 million
- Virginia: “Partner\$ in Procurement”
 - The total amount of savings over 5 years: \$150 million

NEW JERSEY'S INITIAL STRATEGIC SOURCING PROGRAM

- Consultant: Bearing Point Inc.
 - Consultant work continued from July 2005 to June 2006
- Analysis of State's Spending:
 - Spending based on contracts in FY05=\$2.4 billion (\$1.5 billion-non-addressable, \$185 million-IT, \$145 million-education, \$132 million-fleet)
- Selection of the category of IT as the pilot strategic-sourcing project
 - IT Desktop Hardware&Related Services, rugged PCs, servers and network equipment, professional services, wiring&cabling, software
- Progress so far:
 - only one contract, rugged PCs, awarded.

DEFICIENCIES IN NEW JERSEY'S INITIAL STRATEGIC SOURCING PROGRAM

- Selection of IT Category for the Pilot Project
- Changes to the Scope of Work After the Consultant Contract Was Awarded
- Consultant Recommendations on Improving Procurement Processes to Support Strategic Sourcing were Never Implemented
- Lack of Knowledge Transfer and Training

LESSONS LEARNED FROM THE EXPERIENCES OF THESE FIVE STATES

- Continuous Support From Political Leadership
- Change Management
- Selection of Categories that are Relatively Easy to Handle
- Effective Monitoring System
- Local Government Participation

RECOMMENDATIONS TO IMPLEMENT A SUCCESSFUL STRATEGIC SOURCING PROGRAM IN NJ

- A web-based portal to conduct all purchase orders for uninterrupted compilation and analysis of data
- A core team of skilled sourcing experts to continue the strategic-sourcing program
- Commodity specialization among the DPP staff
- Prevention of Off-Contract Spending



CONCLUSION

- “There is no reason that NJ cannot reinvigorate strategic sourcing to produce measurable savings.”
- The decision to join the Western States Contracting Alliance (WSCA) Computer Contract
- Vehicles and temporary staffing: other prospective categories to implement strategic sourcing



SKILLS&EXPERIENCES GAINED-LIMITATIONS

- New perspectives in the field of procurement from practices of New Jersey and other states.
- Dealing with data that have many problems.
- Primary Limitations: time and low quality data that prevented the analysis of off-contract spending in the IT Category
- Recommendation: If you have an area of expertise, find an AFE site where you can learn new perspectives in that area.