Public Sector Procurement Research Summary

The following is a summary of the final *Public Sector Procurement Research* report (November 10, 2015), initiated by the BC Ministry of Technology, Innovation and Citizens' Services and completed by MNP LLP for research to support the BC Procurement Transformation Initiative. The purpose of this report was to gain a greater understanding of the needs of broader public sector users of future procurement technology, and to inform a potential competitive process.

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1. Summary

The BC Government is planning to replace BC Bid with modern and robust procurement technology. This will impact broader public sector (BPS) entities within BC who use this tool. When the BC Government goes to market for this technology, BPS entities will be eligible to participate in the resulting contract. In preparation, representatives from the major organizational groups, namely health authorities, school districts, post-secondary institutions, local governments and Crown agencies, from within the BPS (Table 1) were contacted to determine their current state of procurement activity and resourcing, use of technology in the procurement process, and opportunities for future improvement. The stakeholders engaged demonstrated support for transforming government procurement and for upgrading and expanding the functionality of BC Bid. Although all BPS organizations interviewed wanted broader functionality than that offered by BC Bid today, the specific features mentioned varied by stakeholder group. The number of BPS organizations that may decide to use part or all of the S2C solution will depend on the scope of the S2C system and the prospective timeline for when the technology will be in place. All BPS organizations engaged in the study expressed interest in the S2C project, and requested further communication on how this project develops. The BC Government will continue to engage, inform and involve the BPS throughout the transformation process to ensure the end product meets the needs and expectations of the broader public sector.

2. Introduction

Public sector procurement of goods and services is significant, with government purchases across Canada exceeding $100 billion each year. The future will present a changing dynamic as Canada enters into new trade treaties with an increasing pressure to open up procurement practices of all levels of government to both domestic and foreign competition. The Government of British Columbia is a party to a number of trade agreements and provincial ministries must abide by the terms and conditions of these trade agreements when undertaking procurements. In BC, all ministries and approximately 400 broader public sector organizations use BC Bid, the online marketplace where public sector organizations advertise potential contract opportunities. Therefore, BC Bid and the organizations that use the application are subject to the potential changes in trade treaties. Based on the history and experiences of public sector buyers within core government as well as the broader public sector, it is evident that there is a need and desire for transformation of the procurement process, particularly when taking into account the context of the high-level policy changes mentioned above.

Table 1: *Number of organizations within the major stakeholder groups that currently use BC Bid, as of December 2015.*

Number	Organizational Category
184	Local governments
49	School districts
44	Crown agencies
28	Universities and colleges (post-secondary institutions)
16	Health authorities (including Health Shared Services)
321	Total

[1] Note that stakeholder groups outside of the above five categories exist. Examples of additional groups include agencies (e.g. transport authorities), tribunals/advisory organizations, and other groups (e.g. libraries, art galleries). These entities were not engaged in study and therefore not included in the table.

3. Methods

The approach to the research project involved a framework of guiding questions to investigate through interviews with stakeholders. These questions were categorized as relating to:

- Current state of procurement activity and resourcing;
- Use of technology in the procurement process;
- Opportunities for future improvement; and
- Other points for consideration.

Interviews with representatives from the major BPS stakeholder groups, i.e. health authorities, school districts, post-secondary institutes, local governments and Crown agencies (Table 1), were carried out to gather information for this report. This research was further supported by a literature review that included existing procurement, audit reports, and additional documents provided by interviewees.

4. Findings and Conclusions

a. Current State of Procurement Activity and Resourcing

The findings for current state of procurement activity and resourcing in the BPS are as follows:

- The larger the organization, the more likely procurement is carried out by a team of individual specialists. The smaller the organization the more likely procurement is a shared responsibility done as a small portion of an individual's workload.
- The average value of procurement across all stakeholder groups was rated to be more than $2 million per organization, with the actual total value of procurement being much higher (for some groups, in the hundreds of millions; see Table 2).
- The total annual value of procurement was found to vary by size of organization rather than by stakeholder group.
- Organizations handling a higher total value of procurement reported a greater number of contracts and purchase orders. The number of active vendors used by organizations was also related to the total value of procurement, with more vendors being used by organizations that manage a higher amount of spending on goods and services.
- The average number of total vendors reported by stakeholders was more than 100, with a wide range in the actual total number reported (between 25 and 20,000). This trend was also apparent for the total number of contracts and purchase orders with a range between 25 and 500,000 (Table 3).

Interviews with stakeholders revealed that organizations use a wide range of procurement strategies, both overall and within each of their organizations. These strategies chosen were mostly dependent on the value of the procurement, with request for proposals being commonly used for higher value procurements, and a range

of other strategies used for lower value procurements. Examples of public sector procurement processes can be found here.

Table 2: *Range in Estimated Total Annual Value of Procurement by Stakeholder Group*[1]

Stakeholder Group	Minimum Spend Value	Maximum Spend Value	Median Spend Value
School districts	$1.5 million	$2 million	$2 million
Post-secondary institutions	$5.5 million	$500 million	$75 million
Local government	$500,000	$700 million	$40 million
Health authorities	$3 billion	$3 billion	$3 billion
Crown agencies	$5 million	$2.4 billion	$45 million

[1] Stakeholder group indicates that one respondent in this group reported the above minimum spend and maximum spend values.

Table 3: *Range in Reported Numbers of Actual Contracts and Purchase Orders (POs)*

| Stakeholder Group	Minimum # of Contracts and POs	Maximum # of Contracts and POs	Median Number of # of Contracts and POs
School districts	75	100	100
Post-secondary institutions	1,500	11,000	3,500
Local government	25	11,000	2,500
Health authorities	500,000	500,000	500,000
Crown agencies	75	3,000	350

[1] Stakeholder group indicates that one respondent in this group reported the above minimum and maximum values.

b. Technology

The findings for current state of technology are as follows:

- The current state of procurement technology varies greatly across stakeholders with interviewees reporting a wide range of current capabilities and functionality within their organizations (Figure 2). This was somewhat related to the size and type of organization.
- Some stakeholders indicated having very advanced analytical capabilities, while others conducted analysis manually through Excel.
- BPS organizations generally acknowledged not having technology to cover the whole procurement process.
  - Local government stakeholders reported having technology to support spend analytics, but not having the technology to support sourcing and contract management (Figure 1).
  - The exception was the health authorities who have advanced technology supporting the whole procurement lifecycle (Figure 1).
- Stakeholders identified many different information systems for tracking, analysis and reporting, with almost all using BC Bid to some extent for procurement.
- For those that used BC Bid, there was the perception among stakeholders that gaps in functionality limited its usefulness. For example:
  - Larger organizations, handling a greater total value and volume of procurement, felt that BC Bid did not offer the kinds of reporting and analytical functions they need.
  - Representatives from smaller organizations mentioned not requiring the analytical capabilities offered by the current BC Bid, desiring something easier to use for certain types of procurement and the vendors engaged, such as a small dollar forum.
  - All stakeholders interviewed cited added functionality as a main requirement for improvement to the BC Bid system, with the specific features varying by stakeholder group.

Figure 1: *Current State of Technological Capabilities for supporting aspects of the procurement lifecycle by Stakeholder Group (according to the frequency of response)*
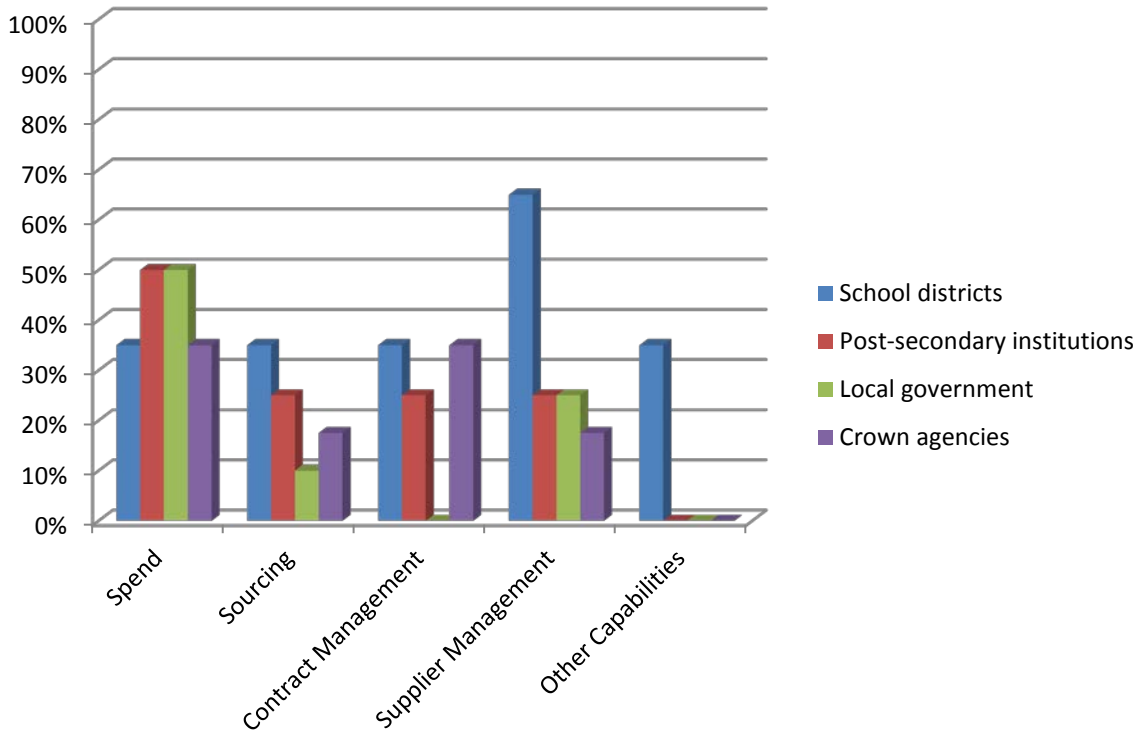
[1] The research question was "Does the technology you currently use provide for any of the following capabilities?"

[2] If stakeholders reported using Excel for spend analytics, this was counted as a current technological capability.

[3] "Other capabilities" included: project management software, maintenance of vendor profiles, and in-house software for data extraction.

[4] The engaged health authorities are not included in the figure as these stakeholders have 100% of spend, sourcing, contract management, supplier management and other capabilities to support the whole procurement lifecycle.

c. Opportunities for Future Improvement

The findings suggest that the areas for improvement are more strongly based on the interviewees' current state of procurement technology as opposed to any particular stakeholder group.

Some strengths cited by interviewees of their own procurement practices were:

- An experienced and knowledgeable team; and
- Their ability to ensure the integrity of the process.

In interviews, stakeholders most commonly expressed that the following functionalities would be the greatest areas of interest for their current procurement process:

- Pursuing further automation of the procurement process;
- Looking for savings through a better understanding of purchasing habits; and
- Reducing workloads by streamlining the workflow.

In addition, many interviewees mentioned other opportunities for improvement such as:

- Basic technological improvements;
- Vendor performance management;
- Supply chain management;
- Electronic bidding capabilities; and
- Ability to share information.

In order to realize these opportunities, stakeholders stated that their organizations would need:

- Improved technology;
- Strengthened analytics;
- Funding and resources; and
- Integration and communication.

d. Other Findings

Stakeholders were generally enthusiastic about the prospect of transforming procurement in the government as well as potential upgrades to BC Bid. Stakeholders also stated that they required more information regarding what type of transformation would take place and the likely timeline of the project in order to determine its value to their respective organizations.

In a newly-transformed BC Bid, stakeholders reported they would like to see the core functionality of the system remain easy to use, particularly for smaller organizations that would not require advanced analytical capabilities. Interviewees also stated that they would like to be informed and involved throughout the transformation process to ensure the end product meets their needs and expectations.

For more information about this report and BC government procurement transformation, please contact Strategic Business and Procurement Transformation.