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Selection of a commodity code structure
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IN DEPTH

14 Predicting Procurement’s Path
Survey charts the future of the profession

18 Local governments love local food
Buying local food profitable for governments, their communities

PERSPECTIVES

2 Procurement Ponderable:
Think before you act

HOT TOPICS

4 Money matters: Communicating the value: savings and efficiencies you may have forgotten

6 Energy: Why constant measurement of energy program performance is vital to reducing costs

10 Coding: Selection of a commodity code structure

BACK PAGE

24 Darin Matthews: We are the world

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Many of us have been involved in the creation of revenue-generating contracts and even possibly introduced the concept to our entities. The contracts may have been simple, complex or even controversial. Regardless, the primary motivator has been to obtain additional revenue for our entity. Procurement wants to add value, and what better way to do this than to create revenue at no cost — economically, politically or otherwise — to our entity?

But do revenue-generating contracts truly create money? Are the effects of “earning” those nice rebate checks really neutral? Could we possibly be doing more harm than good? The answers to these questions should be verified through empirical research.

Consider the obvious possibility that a contractor may inflate its prices to create the money it returns to the contracting entity. For example, how do you think the cost of goods sold at concession stands compares to the price the consumer is charged? Consumers are used to overpaying for food and drink, so sadly, they’re not likely to be concerned about overcharging by government-contracted concessionaires.

However, we cannot be insensitive to potentially adverse effects of these contracts on procurement clients. Could clients be paying more for supplies they have to purchase through a mandatory-use, revenue-generating contract than through a traditional one? Is it really worth all the time and effort if the net effect could be a “wash” for our entity?

Even more deserving of attention is what happens when the concept is used for services that don’t fit well with the concept. Even when used for appropriate applications, the contracts can be poorly planned or administered. There are ethical considerations in either case.

A revenue-generating contract garnering widespread notoriety is inmate concession services. The percentage of phone tolls returned or administered. There are ethical considerations in either case.

Could we possibly be doing more harm than good? The answers to these questions should be verified through empirical research.

We can and must ask if the costs of revenue-generating contracts are worth the value added to our entities.
Sure, I’d rather be outside than stuck in an office. That’s why I started working for our parks department in the first place. But since then, my job has changed a bit. I guess you could say that if my department were a machine, I’d be the guy with the oilcan. Instead of sitting on a mower, now I’m buying them, making sure our parks stay a place folks can be proud of. So I have to make sure every machine is an investment that pays off. Like our Grasshopper mowers did. Seems like they do more in a day than our other machines do in a week. And we’ve cut our equipment inventory by using our mowers all year long to throw snow, aerate and pick up leaves. I haven’t heard one complaint from my crews — except for our maintenance guy, who claims he doesn’t have enough to keep him busy. Go figure. But, in the end, all that matters is our city parks have never looked better. And even though I’m a desk jockey now, I’m proud to have helped make it that way. After all, I’m an outdoorsman at heart.
When procurement leaders think about how to communicate their team’s value, they typically think of Request for Proposals (RFP/ITB/RFQ) type processes and the cash-releasing savings, which can be delivered by a procurement team’s focus on getting the best price for goods and services for their organization in a formal, competitive process. If you’re new to recording the value of your procurement team, these savings are a great place to start. They are the easiest to calculate and have the greatest amount of documentary evidence to back up your recorded savings.

However, there are many types of savings and efficiencies delivered on a daily basis that get overlooked when assessing the value of a good procurement team.

**BUT...ISN’T THAT JUST DOING OUR JOB?**

Negotiating better prices or payment terms. Avoiding a price increase in the middle of a contract. Eliminating a purchase request using goods currently sitting in your warehouse. These are all things procurement professionals consider to be part of their job and, as such, shouldn’t be recorded as a savings or efficiency. But running a competitive procurement process to get the best goods and services for your organization at the best price is also part of your job. If you record the value and savings that you deliver as part of an RFP process, why wouldn’t you record the additional on-site training which you negotiated as part of a contract at no cost to your organization?
SO WHAT ARE SOME EXAMPLES?

Let’s say that a medium-to-large RFP/ITB/RFQ process typically takes 100 hours of staff time. Through the use of a different procurement mechanism (i.e. eBidding, piggybacking on another organization’s contract, reverse auctions), the procurement process only takes 20 hours of staff time. There is now an efficiency of 80 hours times the staff’s average hourly cost (payroll, benefits, accrued vacation, etc.) that you’ve delivered to your organization. Through enacting a different approach to the competitive process, you have enabled five times the number of procurements to take place with the same staff you have today. This would likely be recorded as a non-cash-releasing efficiency. Or begin by recording all of the savings and efficiencies of a particular type for a month. Then see how many there were, how long it took to record them, and the overall value of those initiatives. Determine whether the time and money saved were greater than the time and effort required to calculate and record these savings.

Procurement professionals wouldn’t be doing their jobs if they didn’t challenge their suppliers. Discounts would never be gained, and additional goods or services would never be negotiated. That would represent a cost to the organization in real dollars. If you saved real dollars on the goods or services purchased, you should record both the real money and time saved as a value of the procurement function.

Procurement professionals wouldn’t be doing their jobs if they didn’t challenge their suppliers. Discounts would never be gained, and additional goods or services would never be negotiated. That would represent a cost to the organization in real dollars. If you saved real dollars on the goods or services purchased, you should record both the real money and time saved as a value of the procurement function.

IF WE RECORDED EVERYTHING, WE WOULDN’T GET ANY OTHER WORK DONE.

If you tried to record the value of every single activity that the procurement team does on a daily basis, it could quickly become overwhelming, so it is a good idea to set a threshold above which you will record savings and efficiencies. Or begin by recording all of the savings and efficiencies of a particular type for a month. Then see how many there were, how long it took to record them, and the overall value of those initiatives. Determine whether the time and money saved were greater than the time and effort required to calculate and record these savings.

MORE GUIDANCE ON GETTING STARTED RECORDING SAVINGS AND EFFICIENCIES

The next article in this series will explore a few more types of savings and efficiencies which could be recorded but are often overlooked by procurement professionals. In the meantime, for those of you that missed the 5 Steps to Communicating the Value of Procurement workshop delivered at Forum by Brian Smith and Gerald Jelusich, the workshop was recently presented in a webinar and recorded. A link to that recording can be found below.

• FREE Measure license registration for NIGP National Agency Members: www.nigp.org/measure
• 5 Steps to Communicating the Value of Procurement webinar recording: http://www.spikesavell.com/resources/5steps/ <

JONATHAN WHITE is the director of sales and support for Spikes Cavell Analytic., one of NIGP’s strategic partners. Spikes Cavell equips decision makers in the public sector with the business intelligence, online tools and analytical insight to transform the way they procure goods and services. The Spikes Cavell Observatory is an online platform that facilitates delivery of spend and contract visibility quickly, affordably and with little effort on the organization’s part.
WHY CONSTANT MEASUREMENT OF ENERGY PROGRAM PERFORMANCE IS VITAL TO REDUCING COSTS

By Bob Wooten

When was the last time you evaluated your energy risk management strategy against your organization’s original expectations? If it was more than a year ago, you could be making a costly mistake. You can rectify that mistake and reduce unnecessary overhead with a few simple tips.

Energy, specifically electricity, is the most volatile commodity an organization procures, and it also tends to be one of your biggest budget items. Because of this, ongoing performance analysis is an absolute must.

The two key pieces to a sound energy risk management program are the supply-side and demand-side elements. Demand-side measures, implemented to make your company more energy-efficient, involve a capital investment to reap future savings from lower energy usage. Supply-side initiatives, encompassing the procurement of the energy commodities, can produce immediate benefits via lower rates and should result in more favorable contract terms.

MANAGE YOUR ENERGY USAGE

Understanding your usage pattern is just as important as knowing your overall usage costs. One commonly overlooked element is peak load, which is the highest amount of energy used at any one time during a month. Your average monthly energy usage may be low, but if it spikes on just one day of that month, you could face a considerable boost in costs.

Consider a common scenario for a university: a Saturday football game that requires much more energy than the rest of the month’s average can cause a tremendous spike in energy demand. Even though the price of the energy commodity itself may stay at 5 cents, the utility will begin charging more to provide that higher capacity when the university needs it – even if that may only be one day a year.

Avoid huge spikes through graduated usage by cycling in each unit at intervals. Also consider alternating air conditioning usage. Although some components may run longer, this method will
still cost less than an all-at-once surge in use.

The university can also enroll in a “Demand Response” or “Curtailment” program. Local utility operators around the country offer incentives for cutting back on energy usage in times of increased stress on the electric grid. Participation benefits are two-fold: lower bills plus the incentive bonus.

COORDINATE DEMAND-SIDE EFFORTS WITH SUPPLY-SIDE EFFORTS

Demand-side measures include strategies to reduce your energy usage. Supply-side initiatives involve the actual procurement of the commodity itself. These two sides of your energy equation need to balance out.

Everyone who buys energy enters into a usage contract. You should negotiate your terms as your usage changes, and renegotiate as your goals evolve.

Obviously, you pay more if you use more, but many agreements also penalize you for using less energy than you initially contracted. Mitigate or eliminate the penalties, or adjust the supplier’s expectations at the beginning of the contract.

CHOOSE PRODUCT, PRICE & TERM WISELY

Your budget priorities and your ability to manage actual usage help determine the right energy supply program. Manage overall costs by utilizing the right type of “energy product” such as a fixed price, an index price or a block & index price.

The most conservative, fixed-price commodities, provide more budget certainty. These packages safeguard against market volatility because the customer agrees to a set price regardless of fluctuations. Most government entities opt for fixed pricing.

At the other end of the spectrum are index products. Because costs could increase, index pricing assumes a high risk. However, this allows for savings if the price moves down. Organizations that effectively manage power consumption may benefit from index pricing.

“Everyone who buys energy enters into a usage contract. You should negotiate your terms as your usage changes, and renegotiate as your goals evolve.”
Block & index pricing balances risk. An organization can fix the price for a certain portion of their load (providing budget certainty), while allowing additional load to float with the market on an index (allowing for savings if rates go down).

If the market is falling, choose short terms to keep negotiating for the lowest price. In a rising market, long terms will lock in good rates. Government entities focused on stable, budgetary targets will want a long-term fixed price approach. Meanwhile, large manufacturers may choose shorter terms if the market is falling to achieve better rates by floating with an index rate.

**EVALUATE YOUR ENERGY PROGRAM AT LEAST ONCE A YEAR**

To gauge performance accurately, it is vital to have an energy management feedback loop to help determine what to adjust based on what has worked best in the past and how organizational goals have changed.

Review all the elements within your energy risk management program at least annually to evaluate your strategy and goals based on current market conditions. Groups whose energy contracts float with the market might actually consider a quarterly evaluation. Even organizations with multi-year contracts at a fixed price should perform reviews. While they can’t adjust their actual rate, portions of the bill tie in directly to their energy usage patterns.

In our ever-changing energy market, the biggest mistake is complacency. You can sit back and complain about escalating prices, or you can evaluate your energy risk management strategy and adjust it accordingly. <

**BOB WOOTEN, C.P.M., CEP, is director of National Accounts for Tradition Energy, and has over 20 years of experience managing government procurement programs for a wide variety of clients including cities, schools, colleges, universities, housing authorities and municipal districts. Bob holds professional certifications from the Association of Energy Engineers and the Institute for Supply Management, as well as a B.A. from Texas A&M University, and a Masters in Public Administration from the University of Houston.**
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In our daily roles, procurement officers discuss and interpret procurement policies and procedures with clients and suppliers. These difficult discussions involve analysis of specific written policies and procedures. We officers then determine the best approach based on the organization’s risk tolerance, culture, transparency and competitive fairness. Each of these considerations affects procurement strategies.

Commodity codes have emerged as a foundational element of high-performance procurement operations. The improved use of technology for supplier management, spend analytics, strategic sourcing, performance metrics and inventory management depends on an effective coding model that aligns with the requirements of public sector activities. Thus, choosing a commodity code structure is a decision with lasting agency impact.

As technology enables us to support and engage our client departments, maximizing the ease of use and understanding of code application ensures the likelihood of success in agency spend and supplier management. Recognizing that commodity coding aids agency effectiveness, the qualities and differences across the more prominent code structures available deserve exploration. The three codes most often found in government agencies are the NAICS, NIGP Code, and UNSPC taxonomies. Each coding system was defined to track and analyze different categories of data to suit different managerial needs. Asking a few leading questions can help us discover the key features and differences of each coding standard.

**DO ALL COMMODITY CODE CLASSIFICATION SYSTEMS HAVE THE SAME SCHEMA?**

Commodity codes vary in structure, range and level of depth. NAICS, for example, is oriented primarily toward classification of suppliers by “industry class.” For spend analysis purposes, this two- to six-digit structure lends itself better to tracking spend by suppliers’ industry category.

By contrast, NIGP Code and UNSPC support greater visibility into spending by specific commodities and services. UNSPC was developed through the marriage of an internal United Nations coding schema and elements of Dun & Bradstreet’s industry classifications. Thus, UNSPC is a hybrid of classifications that reflect global supply chain and private sector perspectives. UNSPC extends codes up to eight digits to describe items to the commodity level, e.g., “abrasives and abrasive materials.”

NIGP Code further extends specificity to achieve greater visibility into organizational spend. NIGP Code taxonomy provides for up to an 11-digit classification specifically for public sector procurement activities. NIGP Code is distinct from NAICS and UNSPC in that at its highest level it starts with the broad class of commodity that cascades to a specific description of the product rather than beginning from a supplier industry and driving down toward

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**NAICS, UNSPC, NIGP Code At-A-Glance**

<table>
<thead>
<tr>
<th>NAICS</th>
<th>UNSPC</th>
<th>NIGP Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>6-digit max</td>
<td>8-digit max</td>
<td>11-digit max</td>
</tr>
<tr>
<td>Industry orientation</td>
<td>Private/public orientation</td>
<td>Public orientation</td>
</tr>
<tr>
<td>5-year updates</td>
<td>Bi-annual updates</td>
<td>Ongoing updates</td>
</tr>
</tbody>
</table>

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By Jean Clark
Ordering can’t really get much easier.

Welcome to John Deere. What’ll it be today: A Gator™ Utility Vehicle? A versatile mower? Would you like flex wing cutters with that? Whatever you’re in the mood for, streamlined purchasing and a range of financing options make it easy to get what you want and get on your way. Drive up to your John Deere dealer or visit JohnDeere.com/Local for a taste of what’s in store.

The object is simplicity.
a commodity type. Continuing the “abrasives” example, NIGP Code begins where UNSP ends.

**COMMODITY CODES: PUBLIC AND PRIVATE SECTOR - IS THERE A DIFFERENCE?**

So often we hear that public procurement should be more like the private sector. However, many of the products or services procured by government entities are unique to the public sector. Foster care services or fire trucks are not everyday acquisitions for the corporate world! The code taxonomy should align with the reality of your agency’s activities.

**HOW FREQUENTLY IS THE COMMODITY CODE STRUCTURE UPDATED?**

While stability of coding taxonomies is essential for comparison and benchmarking activity over time, coding structures must be flexible enough to allow for new product and service categories as required. UNSPSC code is updated twice per year (six-month period) based on UNSPSC “member” input. The NIGP Code is updated daily for the 7- and 11-digit codes, primarily for inventory item purposes, and the 3- and 5-digit codes are updated once per month.

In addition to classification structure, the level of “fit” and “service” are significant. When client departments are required to select a commodity code and whether or not the supplier community is required to self-register and maintain their vendor profile for solicitation opportunities impact the type of commodity code support needed for an efficient and effective procurement operation.

Each of these procurement decisions is rooted in the commodity code structure. Understanding the differences between codes’ structural schema, flexibility and market responsiveness aids a procurement officer in making the correct selection to ensure the success of a high-performance procurement operation. <

**JEAN CLARK, FNIGP, CPPO, C.P.M, CPPB, CPM, director of Procurement Transformation Services for Periscope Holdings and former Arizona State Procurement Director and NIGP President, 2003-2004**

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**Hurricane Recovery Request for Information**

Since 2005, the State of Louisiana has administered $14.5B in CDBG funds awarded following hurricanes Katrina, Rita, Gustav, Ike and Isaac. Now, the state wants to gauge the impact of these investments and is seeking input from the private, nonprofit and academic communities to frame the scope of its efforts.

Read the RFI, Learn More at [http://doa.louisiana.gov/RFI/](http://doa.louisiana.gov/RFI/)

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By Elijah Black

PREDICTING PROCUREMENT’S PATH

Survey charts the future of the profession.

In January, Government Procurement conducted a survey with its partner, NIGP: The Institute for Public Procurement to discover the procurement trends that are reshaping agencies, to gauge changes in perception of the profession and to predict the key factors that will define the future procurement paradigm. Findings suggest the profession is evolving, with practitioners making strides to communicate purpose and standardize best practices to ensure positive growth in the profession.

ABOUT THE SURVEY

Government Procurement subscribers were emailed the survey in mid-January, and 498 responses were received. The respondents represented a cross section of government types: cities/townships (26 percent); counties/regions (15 percent); state agencies, other than central procurement (21 percent);
The respondents were asked which factors will most affect procurement agencies over the next few years. Declining budgets were selected by 63 percent of the respondents followed by advancing technology (62 percent). Ben Calia, procurement and contract services manager for Lee's Summit, Mo., says, “Budgets always have an impact on procurement agencies due to their defining the number of projects an agency will need to consult on and oversee.” Fellow Missourian Russell Pankey, purchasing manager for Independence, Mo., says, “Budget here is very tight, with static tax revenues.”

Other factors noted in the survey included cooperative purchasing programs (46 percent), sustainability (42 percent), succession planning (37 percent) and taxpayer input (13 percent).

When asked which non-cost Key Performance Indicators (KPIs) would be most important to purchasing departments this year, 69 percent of respondents said transparency throughout the supply chain was important, followed by contribution to customer satisfaction and growth (48 percent), consumer-like interfaces in agency-procurement systems (40 percent) and agency social responsibility initiatives (34 percent).

“Customer satisfaction and transparency are essential...The perception of our use of taxpayer dollars is paramount in this arena,” Pankey says. “Communicating that information to the citizens in a positive manner is critical.”

Latifah Jackson, a buyer for Corpus Christi, Texas, says, “[Because] our company is transparent and we have elected officials governing our major purchases, being socially responsible is a must.”

Additionally, when asked what their procurement departments require to be more effective, 75 percent of respondents said their agency needs to increase collaboration with all of their organization's departments. Pankey says collaboration is challenging because departments “tend to work in their own world,” but he adds that “the mindset can be changed with perseverance.”

Chris Ferris, assistant comptroller for the Toronto District School Board, says, “Our purchasing department has always worked closely with key stakeholders...to ensure the end result meets the needs of the people consuming the products/services. That can include central department...
What does your procurement department need to be more effective? Select all that apply.

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>More certification training and education support</td>
<td>48.2%</td>
</tr>
<tr>
<td>Better business management practices</td>
<td>41.4%</td>
</tr>
<tr>
<td>More collaboration across all of the organization’s departments</td>
<td>74.6%</td>
</tr>
<tr>
<td>Increased staffing levels</td>
<td>42.5%</td>
</tr>
<tr>
<td>Increased workload expectations with same staffing levels</td>
<td>13.7%</td>
</tr>
<tr>
<td>Increased use of procurement technology-based tools</td>
<td>57.1%</td>
</tr>
<tr>
<td>Procurement legislation reform</td>
<td>26.9%</td>
</tr>
<tr>
<td>None of the above</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

Will your government entity embrace any of the following technologies in 2015? Select all that apply.

<table>
<thead>
<tr>
<th>Technology Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open-source procurement systems</td>
<td>34.1%</td>
</tr>
<tr>
<td>Cloud-based procurement solutions</td>
<td>39.1%</td>
</tr>
<tr>
<td>Subscription-based procurement solutions</td>
<td>24.5%</td>
</tr>
<tr>
<td>Big data (analytics used for procurement planning)</td>
<td>30.1%</td>
</tr>
<tr>
<td>Mobile procurement (procurement software for purchasing orders and approvals on the go)</td>
<td>28.8%</td>
</tr>
<tr>
<td>Machine-to-machine interface (machines that interact with one another)</td>
<td>16.9%</td>
</tr>
<tr>
<td>Internet of things (IoT) (i.e., more intuitive technologies, including m2mi that doesn't require human input)</td>
<td>15.2%</td>
</tr>
<tr>
<td>3D printing of parts and other commodities</td>
<td>5.3%</td>
</tr>
</tbody>
</table>

Where do you see yourself in the next 2 to 3 years?

<table>
<thead>
<tr>
<th>Future Position</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retired</td>
<td>18.8%</td>
</tr>
<tr>
<td>Promoted</td>
<td>29.9%</td>
</tr>
<tr>
<td>In the same role</td>
<td>46.7%</td>
</tr>
<tr>
<td>Moved to another job outside of the procurement profession</td>
<td>4.6%</td>
</tr>
</tbody>
</table>

“If we take care of business and add value, perception takes care of itself.” - John Adler

staff, principals and/or vice principals and in some circumstances even parents or students.” One can infer from Ferris’ statement that engaging residents is crucial for procurement agencies to remain effective because end users of procurement are often members of the community.

Respondents said other requirements needed to remain effective included increased use of procurement technology-based tools (57 percent) and more certification training and education support (48 percent) in addition to better business management practices (41 percent). A need for increased staffing levels was expressed by 43 percent while only 14 percent stated the need for increased workload expectations with the same staffing levels. Procurement legislation reform was listed as necessary by 27 percent.

Sustainability has economic, environmental and social considerations encouraging its implementation. A majority of respondents answered that sustainability will at least somewhat influence their procurement behavior in the next five years. Nicola Perrera, procurement officer of Maricopa County, Ariz., says his agency’s sustainability goals are set by policy, which specifies that it may consider sustainability aspects of bid responses if they are economically advantageous. Pankey said that while his agency is “regulated by state and federal environmental regulations,” budgeting concerns incentivize efforts to simplify processes to be not only more sustainable but more efficient and therefore more cost-effective.

While it’s clear that economics and policy are driving these sustainability efforts, John Adler, vice president of procurement at Dallas Area Rapid Transit, says green purchasing is part of a procurement agency’s social responsibility. Jackson’s agency is working toward adding value through sustainability by,...buying more green products, and we are also attempting to find more ways to utilize equipment after its cycle life has come to an end,” she says.

Whatever the reasons, 90 percent of respondents stated sustainability is going to play a part in the future of procurement.

TECHNOLOGY’S ROLE

Technology plays a large role in procurement, so respondents were given a list of technologies and asked if their entity would embrace any of them in 2015. According to the responses, cloud-based procurement solutions will be utilized by 39 percent while open-source procurement solutions will be adopted by 34 percent followed by big data, also known as analytics (30 percent), mobile procurement software (29 percent), subscription-based procurement solutions (25 percent), machine-to-machine interfaces (17 percent), Internet of Things (15 percent) and 3D printing of parts and commodities (5 percent).

Of course, there are obstacles to adopting new technology.
Pankey says that his agency hopes to replace an outdated accounting system in the next few years, but that doing so “means a lot of money to expend as well as time for implementation and training.” For some agencies, Perrera says, “The effort required to move...to electronic practices/software has proved too much given current human resource constraints and the sense of security a long legacy of precedent offers.” Jackson adds that, when her agency had transitioned to a newer, less-costly software, it actually lost value because it then required increased labor and staffing, and processes took longer to perform.

However, there are clear benefits to new technology. Perrera says, “My agency will be implementing an enterprise resource planning (ERP) system, replacing multiple different independent systems used by budget, procurement, finance, and others...My agency's ERP system will better integrate information for analysis, allowing procurement to leverage more strategic approaches to county-wide needs.”

Pankey says that his agency is open to cloud-based systems to relieve hardware and maintenance costs. “Upfront cost can appear prohibitive, but the sustainable cost should balance out if the long-range cost can be analyzed and realized.”

Technology has the power to streamline the functions of procurement and add value when agencies are open to it, but the benefits and implementation of technology must be carefully considered. Otherwise it is possible to lose value as witnessed by Jackson’s agency.

**PROCUREMENT PERCEPTION**

Positive perception of procurement is imperative for the profession’s growth. Respondents were asked if the profession was viewed higher, lower, or about the same in the eyes of key government officials compared to five years ago. Consensus was split with a large number (47 percent) stating it has remained the same while 42 percent say it is now viewed higher than five years ago. However, a majority (53 percent) feel positive perception will increase over the next five years in contrast to 43 percent who feel perception will stay the same.

“I don’t worry about perception,” says Adler. “If we take care of business and add value, perception takes care of itself.”

Calia notes that the perception of procurement “has changed from being only a clerical role to...being a true professional partner in shaping the direction of procurement and the invaluable input that is provided through analysis, communication, and customer service.” He adds that his city, “established city committees that meet and report their activities in a forum which is open to the public as well as televised via a local cable network...[to] make a concerted effort as it pertains to transparency.”

Pankey says he believes the profession is slowly being viewed more positively thanks in part to legitimization of the profession through certification standards, which now require having a college degree.

These in-depth responses enumerate the complex considerations, from supply-chain transparency to civic engagement to a demand for greater professionalism through certification, which are shaping procurement. These considerations need to be communicated to reflect procurement’s true impact on and dedication to municipalities. In this manner, positive perception can be increased.

**PROCUREMENT’S WORKFORCE**

The retirement of skilled and knowledgeable workers is a key concern for many procurement agencies, so respondents were asked about their future plans. A majority of respondents (47 percent) stated they believe they will occupy the same role in three years’ time while 30 percent are anticipating promotions.

In contrast, a little under a quarter of the respondents predicted they will retire or leave for another profession in the next three years. As budgets (and presumably staff numbers along with them) shrink, agencies will depend more heavily on collaboration between departments, cooperative purchasing and procurement technology to help bridge this labor gap, but agencies will still need to replace a large portion of their workforce in a short span of time. How will they go about attracting new people to the procurement workforce, especially as certification guidelines become stricter?

The key lies in increasing positive perception of public procurement. Greater transparency in the selection of suppliers can increase accountability for agencies and professionals. Social responsibility can garner goodwill and positive feedback. Sustainability efforts can benefit communities in tangible ways. New technology can integrate data and make procurement easier to understand. Transparency, social responsibility, sustainability – all work toward communicating the purpose of procurement to ordinary citizens. Engaging the community is the first step to finding the procurement leaders of tomorrow, but to do so, agencies have to understand where the procurement profession is headed and their place in it.

**ELIJAH BLACK** is an intern with Government Procurement magazine.
In recent years, there has been a strong interest among Americans in purchasing and consuming locally produced food. Buying local food reduces fossil-fuel expenditures in transportation, provides fresher and healthier food and encourages local economic growth, according to the Utah State University Extension.

Several communities have embraced buying local food. For example, in 2011, New York City passed legislation which required the city’s chief procurement officer to encourage city agencies to purchase New York state food and establish guidelines to accomplish this. Those guidelines, available online from the Mayor’s Office of Contract Services (http://tinyurl.com/794w5w8) apply to any solicitation for food or food-related services above $100,000 as well as any solicitation for social services through which more than $100,000 of food would be provided annually through the contract.

City agencies may grant a price preference for New York state food if its price falls within a 10 percent margin of the lowest bidder’s price. The purchasing agency may also mandate an individual product come from the state or use the “best value” provisions during the solicitation process to consider freshness and perishability by incorporating criteria like the number of days from harvest to delivery. Agencies are encouraged to review their current menus to identify areas where a currently procured product might be replaced with a locally grown one — i.e. substituting apples grown in New York for oranges that are not.

Local governments love local food

Buying local food is profitable for governments and their communities

By Matthew W. Quinn

Consolidated Fruit Distributors, a locally owned company that had been Alpena Regional Medical Center’s produce vendor before the change, provides 10 to 15 percent of the hospital's fresh fruits and vegetables, delivered daily.
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Within two years, Local Law 50 produced results. A 2013 Mayor’s Office of Contract Services report noted that the city sourced $5.49 million of its food locally in 2012. The New York City Department of Corrections was highlighted in a 2013 FoodWorks report for purchasing 85 percent of its dairy and 25 percent of its produce from local suppliers. The department implemented its local-buying decisions through the normal contracting process with local-source specifications and found its suppliers via regular competitive bids through the Department of Citywide Administrative Services.

“We’ve experienced an improved quality of fresh products and more control of menus because of the close proximity to the local supply,” says Robin Campbell, Department of Corrections press secretary. “Through this relationship with our local suppliers, our agency is supporting the local farmers, supply chain and the local economy.”

For governments seeking to buy local foods, the department of corrections suggested comparing its food and ingredient needs to their availability from local agricultural suppliers. It also urges governments to establish a backup plan to identify other sources if a local supply is not available.

MEDICAL CENTER, ALPENA, MICH.
Alpena Regional Medical Center (ARMC) Director of Food and Nutrition Services Rick Persson says the hospital expanded its local produce offerings as part of its participation in the Michigan Hospital Association’s Healthy Food Hospitals Initiative, a process that began in December 2012 when it replaced fried foods with baked ones. The hospital began serving fresher and healthier foods in its café and catering efforts after researching healthy recipe options in cookbooks, trade journals, magazines, the Internet and taking suggestions from employees.

“We experienced an improved quality of fresh products and more control of menus because of the close proximity to the local supply.”
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“The decision to use a local vendor for produce was a management decision based on quality and price,” Persson says. Persson says the hospital’s board of trustees, appointed by the Alpena County Board of Commissioners, chose buying groups that provided the best pricing options for hospital supplies. Consolidated Fruit Distributors, a locally owned company that had been the hospital’s produce vendor before the change, provides 10 to 15 percent of the hospital’s fresh fruits and vegetables, delivered daily. James Butch, owner of Consolidated, says he buys potatoes and strawberries from farms within a 30-mile radius. Persson says the hospital also buys some specialty produce from Gordon Food Service, which primarily sources produce from Grand Rapids, Mich.

The ARMC is the county’s largest employer, so family members of employees and patients — if not the employees or patients themselves — are the ones selling the produce to the hospital. For example, Consolidated acquires its potatoes from a farm in Posen, Mich., which is owned by a hospital employee. Both employees and patients benefit from having fresh, healthy food, and this also translates to the city’s bottom line.

“Good quality food ingredients increase sales to the ARMC cafeteria,” Persson says. “As the county’s largest employer, it is important to support the community we serve. Also, management is consistently looking at the best price.”

Since ARMC started increasing its purchases of fresh produce, sales in the cafeteria have risen 10 to 15 percent. The morning offering of fresh fruit — including strawberries, blackberries and raspberries — is popular with patrons. Customers report the hospital salad bar is the best in town. The made-to-order deli features fresh produce from Consolidated, as well.

Persson recommends any government interested in buying local food research the options and discuss and define expectations with the vendors to make the partnership profitable for the institution and the provider.

**HOW TO FIND LOCAL FOOD**

Nancy Moore, the Montana Healthy Food and Communities program director for the National Center for Appropriate Technology (NCAT), says one way for governments to acquire locally produced food is by encouraging existing distributors to buy local when possible.

“Distributors are a business; they want to please their customers,” Moore says. “If the customers are requesting and demanding more locally sourced products, distributors will definitely go out of their way to get these new items.” She recommends multiple institutions served by a common distributor join forces when making this request. This will encourage the distributor to provide more local products.

Once the food is procured, one way the facility can integrate it into an existing menu is by staging a special event. NCAT once worked with a school to serve a special “Montana-made meal” featuring items produced locally. Once the menu is set, procurement officials can contact farmers directly or a food hub serving many farmers, which will save time. Starting with just one meal or even one item — say, substituting local flour or bread — can help establish relationships with local vendors. It also works as a good public relations tool.

“It’s a great way to showcase what you’re doing to get your customers excited,” Moore says. <

**MATTHEW W. QUINN** is a Government Procurement intern.
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We are the world

Many of us remember the collaborative music video from the 1980s, “We Are the World,” right? Stevie Wonder, George Michael, Michael Jackson (who invited LaToya though?), and dozens of other famous musicians. They were members of a close-knit profession that were focused on a common theme.

In their case, it was addressing world hunger (a serious issue both then and now), but for public procurement, the theme could very well be determining best value selection for our respective organizations or finding a way to reduce costs through strategic sourcing. I’m convinced that no matter where we are in the world that we face similar issues in public procurement.

In the United States and Canada, it can be a request for proposal process that includes both cost and non-cost factors in the selection criteria (past performance, sustainability, qualifications, etc.). While Canadians use the term “tender” rather than “bid” and also adhere to a different set of contracting laws, I find their practices to be very consistent with those employed in the U.S.

Several years ago I listened to a colleague from the Netherlands talk about selecting service contractors by determining the “most convenient bidder.” They were not looking for the cheapest option but rather the best value for their entity. Similarly, our public procurement counterparts throughout the European Union are considering factors other than cost to make sound decisions. Their “most economically advantageous tender” (MEAT) method has gained widespread popularity for its effectiveness. It balances cost along with quality, environmental impacts and innovation. After experiencing years of boring acronyms, someone has finally found a pretty darn good procurement term!

Whenever I attend the International Public Procurement Conference, which is held every other year throughout the world, I’m always intrigued with the fact that we all have so much in common. On a presentation panel in South Korea, I met a colleague from China that was having the same challenges as my own agency with implementing a sustainable procurement policy. And just last year at Dublin City University in Ireland, I encountered procurement professionals from Thailand striving for transparency and accountability.

Now, I have been truly blessed with the opportunity to travel the world and meet diverse groups of professionals in my line of work. This has taught me that we have more things in common to unite us, from our shared issues to our common goals, than differences that separate us such as varying terminology and policy. We are truly all in this together. I can’t wait for my next procurement planning meeting, so I can say to my end-user, “May I suggest the MEAT?”
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