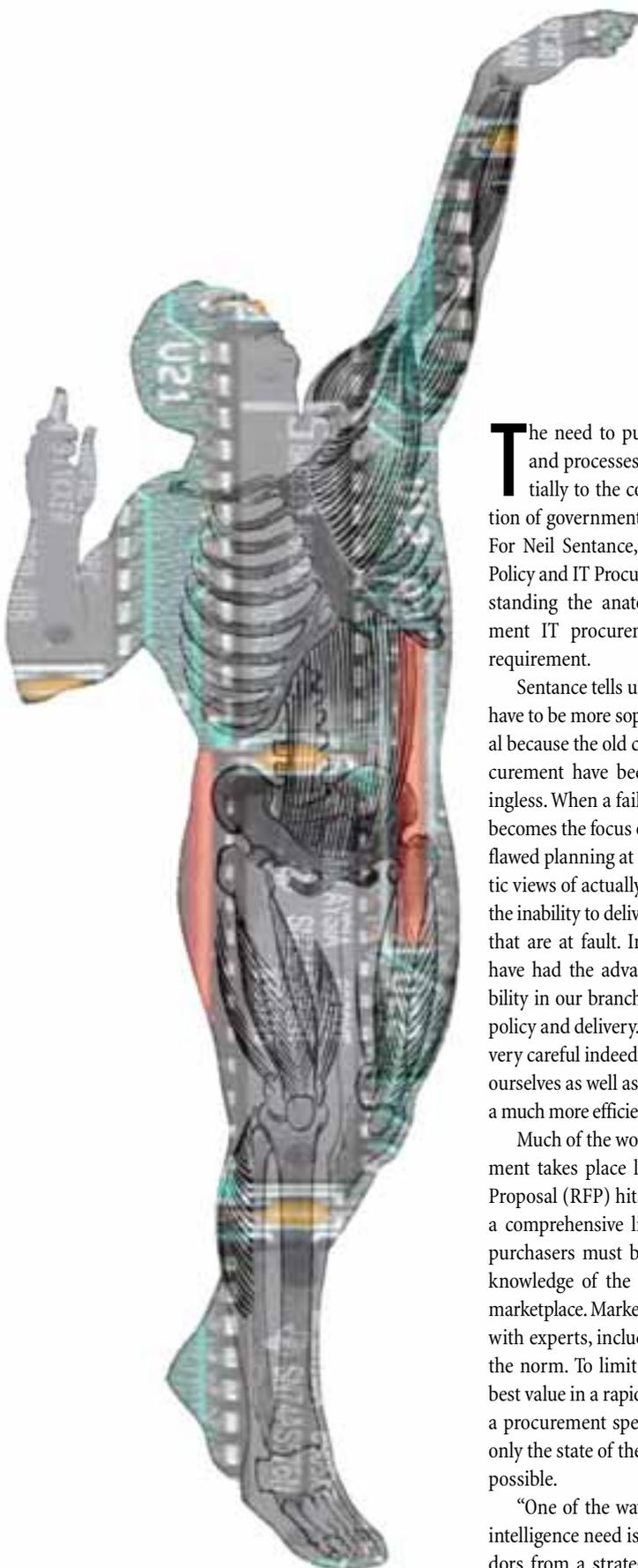


# Understand the anatomy

## Ontario's procurement process for major IT purchases

by David Newman



**T**he need to purchase major IT systems and processes has contributed substantially to the complexity and sophistication of government procurement as a whole. For Neil Sentance, director of Procurement Policy and IT Procurement for Ontario, understanding the anatomy of a major government IT procurement is a core business requirement.

Sentance tells us “procurement specialists have to be more sophisticated and professional because the old commodity models of procurement have become increasingly meaningless. When a failed government IT project becomes the focus of a news article, it is often flawed planning at the design stage, unrealistic views of actually executing the contract or the inability to deliver on the part of a supplier that are at fault. In Ontario, since 2000, we have had the advantage of having responsibility in our branch for both IT procurement policy and delivery. That means we have to be very careful indeed to apply the rules fairly to ourselves as well as to others, but it makes for a much more efficient and effective operation.”

Much of the work for a major IT procurement takes place long before a Request for Proposal (RFP) hits the street. In addition to a comprehensive list of potential suppliers, purchasers must bring to the table a broad knowledge of the industry, technology and marketplace. Market analysis and consultation with experts, including vendors, has become the norm. To limit obsolescence and ensure best value in a rapidly changing market place, a procurement specialist needs to know not only the state of the art but also the art of the possible.

“One of the ways we address the market intelligence need is through [talking] to vendors from a strategic point of view, uncon-

strained by the restrictions of a particular RFP. We set up the Chief Information Officer (CIO) Roundtable Forum with the IT vendor community through the Ontario arm of the Information Technology Association of Canada to have an ongoing dialogue with vendors on where they see their technology or company or sector going. They get a chance to pitch what they think we should be looking at and we get valuable intelligence,” says Sentance.

The procurement must be framed with clear and accurate client requirements and an appropriate and transparent evaluation process. Government procurement regimes are affected by trade agreements such as AIT, NAFTA and WTO, procurement policy objectives, such as Benefits Driven Procurement, Aboriginal and green procurement guidelines and regional or geographic considerations. Legal advice is also sought as required. Above all, says Sentance, “If there’s one thing you have to get right, it’s the evaluation methodology. Once you’ve put that out, you’ve crossed the Rubicon. You cannot change it after the fact and if you try, you’re into very real trouble.”

For large, complex IT procurements, governments are more frequently engaging an independent third party – possibly a management consultant, academic expert or other specialist – to ensure the accountability, fairness and transparency of the complete procurement process.

While procurement specialists are doing their homework, smart vendors will acquaint program officials and IT specialists with their offerings and also the government purchasing community. Frequently, government procurement specialists arrange pre-release consultations with prospective suppliers to road-test their knowledge and assumptions about an

upcoming procurement, providing a very real opportunity for vendors to have their say on what is being bought and how it should be bought.

Once requirements are defined and the appropriate procurement and evaluation process is selected, the Request for Proposal (RFP) is ready for the street. Most major RFPs are broadcast over electronic tendering websites, however an RFP may also be directed to suppliers identified in a procurement research. A bidders conference is held for questions, answers and clarifications.

The successful bidder provides the most comprehensive response, responding to all – and that does mean all – required business, technical and price elements in the RFP. Vendors paying close attention to the emphasis and nuance in the RFP can reap benefits, though often key vendors have already positioned themselves for a proposal and know what may be coming down the pipe well before the formal process starts.

One of the areas Neil Sentance has identified for improvement in Ontario is the RFP itself. "Many RFPs you see now have evaluation requirements scattered throughout the document. Not only does this risk inconsistency, it fails to provide a holistic view of what we are really looking for. I'd like to see more user-friendly procurement documents with one-stop shopping for mandatory, rated and price items. It should be a no-brainer but too often we're not there yet."

If vendors have questions, they should ask them. Purchasers must be scrupulous in ensuring fairness of process, even if it means issuing an addendum or clarification to the RFP for all vendors – even if it means starting over. But the bottom line is that the bid closing time is the closing time – being late means automatic disqualification no matter who the bidder is or what is offered.

When RFP responses are opened, they are reviewed to ensure that mandatory requirements and documentation have been met and materials are duly signed. Purchasers must ensure that a vendor is a legal and viable business entity. In Ontario, this may mean analysis of three or more years of a vendor's audited financial statements or an external evaluation such as those done by Dun and Bradstreet.

In large government IT purchases, a multi-department team is put together to evaluate the procurement. Team members are required to declare any conflict of interest. Evaluators may not disclose commercially confidential information. Qualifying responses go to the evaluation team to be scored according to pre-established evaluation criteria. A minimum score may be established at this stage to winnow out under-qualified vendors. The team prepares an evaluation report detailing all the steps and reasons for disqualifying any of the vendors. Vendor pricing is then scored,

again according to pre-established evaluation criteria. Qualification and pricing scores are combined to determine the successful vendor or vendors.

Once a winner has been selected an award letter is sent to the successful bidder and the contract and required documentation is signed. All other bidders are informed of the contract award and offered a debriefing to find out why they were not successful. A meeting with the successful vendor is arranged to go over the process for delivery of the contract. Departmental clients also meet to be informed of the contract award and next steps.

In the normal course of events, the dance begins again in anticipation of future contracts under government supply requirements. In a few notable cases, appeal of a contract award is made by an unsuccessful bidder – possibly even in the political arena – and then all bets are off. But for most major government IT procurements, hard work at the start pays off for both buyer and seller. And that's no accident. *~*

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## New Dynamic Baseline Model measures procurement

Public Works and Government Services Canada's Mark Seely and Quang Duong have studied a broad range of projects, including government IT/IM procurements and have developed an interesting new project management model called the Dynamic Baseline Model (DBM). *Summit* will explore it in greater detail in a future issue.

Simply put, the model categorizes IT procurement at five levels:

- Management by Rules, such as the purchase of a software or hardware commodity;
- Management by Methods, or a process oriented procurement such as a major construction,
- Management by Objectives, a unique customized procurement requiring systems integration, such as National Defence weapon systems platforms;

- Principles Governance, a procurement that requires change management on an enterprise scale; and
- Values Governance, one involving public policy or value-based elements currently outside the normal scope of procurement.

Analysis under the DBM found that chances of procurement success decrease substantially as the level of management complexity increases:

Level 1 . . . . .	102 %
Level 2 . . . . .	97 %
Level 3 (best guess) . . . . .	50 %
Levels 4 & 5 . . . . .	0 %

The DBM found that the key element for success is not size, time or money, but management structure and governance. Not until a project is managed at one focal point by a project leader and hence migrates from Level 4 or 5 to a lower level, will it succeed.

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