

OntarioBuys

by David Newman

Optimizing procurement collaboration

IMAGINE YOU ARE a supply manager doing a little day dreaming: A senior government official walks into your office and says 'I know you can't get supply chain transformation and collaboration onto the executive committee table – so, if you'll put in a little too, here's some real cash you don't have to budget, dedicated just to that. Oh, and by the way, your organization gets to keep the savings.' Giving your head a shake you then continue to write out in triplicate your requisition and telephone for the supply cart to pick it up and take it down to the basement for distribution, approval, execution and filing. Maybe it was just daydreaming to you, but something like it is happening now in Ontario.

OntarioBuys is an Ontario government initiative from its 2004 budget designed to "facilitate and accelerate the widespread adoption of integrated supply chain management leading practices in Ontario's broader public sector," primarily with hospitals, school boards, colleges and universities through targeted project funding. The BPS Supply Chain Secretariat of the Ministry of Finance runs the program and has invested \$60 million in 40 projects involving more than 100 institutions across the province. In its 2007 budget, the Ontario government projected that savings from health care supply chain modernization could reach \$50 million annually by 2009-10. Projected annual savings across the education sector are \$50 million by 2009-10 and \$70 million by 2010-11.

Dan Wright is the assistant deputy minister of the BPS Supply Chain Secretariat. Originally from Saskatoon, he holds a BA from Western, a Masters of Economics from University of Toronto and a MBA from York. Before joining the Ontario government in January 2006, Wright spent 20 years in the private sector, gaining experience in the banking industry and on Bay Street, and as an executive in the cable and electronics industries, most recently working as an independent consultant. Now Wright says "... in

some ways I feel that I've had 20 years of training to do what I'm doing now."

He is not shy about his enthusiasm for what has been achieved in a relatively short time. "When we were staffed up two years ago, it was all about creating regional supply chains for the broader public sector. When we started we found that the province had 155 hospitals and 130 supply chains. That's inherently inefficient. So the idea was about 10 to 15 supply chains for the province, integrated warehouses, and group purchasing to start, shared buying power and shared logistics. So far, we have never had a situation where the benefits were lower than forecast by the funding proposal. As a business guy and past CFO of a multi-divisional and multi-operational company, I have never in my career had the opportunity to realize so many above hurdle rate business cases in my life."

OntarioBuys provides targeted transformation funding for developing electronic supply chains, but participants must identify projects, apply and share in some of the expense. "The fact that an applicant has to fund 25 percent of the project itself acts as a filter for good ideas and as an incentive for success," says Wright. "Buy-in by the applicant has to be complete for this to work. Still, the other 75 percent is coming from the Government of Ontario and we've found that, for the applicant, the return on investment is almost immediate."

Wright is focussed on results. "...the front office, the front line services, get all the attention, and quite rightly so. [As a secretariat] we live vicariously, helping the people doing it do it better through targeted funding and clear ideas, proven long ago in the private sector. [Helping] institutions save money that they get to turn around and re-invest in more important things like doctors, nurses and equipment, makes [everyone] happier, [including the front line people who depend on the back office to support their efforts and the citizens who are better and more efficiently served. An initiative of

which we're quite proud is the electronic supply chain project, because relatively small investments are yielding big savings and service improvements."

The e-supply chain project's collaborative approach, with nine months of consultation before implementation, helped develop common tools, avoid problems and set achievable goals. OntarioBuys provided \$1.4 million to The Ottawa Hospital to replace manual procurement with efficient electronic processes. The Hospital for Sick Children in Toronto got \$1.7 million to implement an automated re-supply system to streamline the ordering process, resulting in more time for frontline staff services. A joint venture involving London Health Sciences Centre and St. Joseph's Health Care saved \$5 million in inventory costs and \$1.7 million in administrative costs.

Electronic procurement produced major time savings for all sites that implemented it. At SickKids, materials management redesigned their supply carts and increased the number of products replenished automatically by 33 percent. Eliminating manual requisitioning was key to freeing nurses for patient care. Inventory reductions through efforts such as product standardization and improved warehouse management produced major financial returns – annual savings of about \$850,000, for London-area hospitals and \$532,000 for Peel-Halton area hospitals. Ottawa transitioned 60 percent of its total supplier payments, more than 625 suppliers, to electronic funds transfer, eliminating 11,000 paper cheques and 10,000 paper invoices annually, an annual savings of \$1.2 million for reinvestment in health care services.

"We've now just started in a brand new area in operating room supply chains, an enormous opportunity as the OR is a hectic, fast-paced place in any hospital. We believe we're going to actually be able to make a contribution to reducing wait times," adds Wright.

OntarioBuys has three projects in the education sector to date. It worked with On-

Ontario education collaborative marketplace (OECM)

OECM is a not-for-profit corporation established by a consortium of Ontario educational institutions through OntarioBuys in summer 2006. Its first wave board members include University of Toronto, York University, Western, University of Ottawa, Trent, Ryerson University, Seneca, Humber and George Brown colleges, Toronto District School Board, and other boards, backed by the Ministry of Training and Culture, Ministry of Education and Association of Universities and Colleges of Ontario. OntarioBuys is discussing with OECM funding a significant portion of the startup, development and implementation costs.

OECM is intended to "provide an electronic marketplace that connects buyers and suppliers to facilitate more effective, efficient procurement of goods and services" for Ontario's education sector, some 115 institutions. It also means access to a \$2 billion buying power marketplace. Eventually OECM will also develop group buying opportunities for member institutions. Presently, only about 5 percent of spending is done collaboratively. OECM's aim is to improve the buying experience, the productivity of the buying process, and reduce the cost of purchases.

www.oecm.ca



tario Council of University Librarians (OCUL) on faster, cheaper and greener delivery of information, digitizing 50,000 books to make them available to university students, researchers and faculty members, along with licensing a massive data set across the province. It also sponsored building a real time energy management system for the college sector, monitoring buildings, facilitating group buying and implementing a system for more collaborative buying of natural gas. Now OntarioBuys is looking to fund what will be their biggest project to date, the Ontario Education Collaborative Marketplace (OECM), an electronic procurement and marketplace initiative for Ontario's education sector. The initial participating institutions purchase over \$1 billion in goods and services annually (*see sidebar*).

Dan Wright points out that, though the development of regional electronic supply chains is the key, it is often first necessary to address transformation to basic e-processes. "You need to have your own house in order before you can share your services. Whether you've got electronic requisitions has nothing to do with regional collaboration, especially for staff, who really don't care whether they're sending their paperwork to some second sub-basement or to a regional service. All they know is that they're handwriting what they need. So we augmented our regional shared service work with a number of leading practice projects. The technology involved in most of the transformation projects we're funding is so mature that the technology implementation risk is almost non-existent."

OntarioBuys holds both great challenge and great promise according to Wright. "We've funded 40 projects so far, with 15 completed, and we're investing some \$30 million every year. There is no question this works. Going forward as a secretariat, we need to move beyond sponsoring individual projects involving groups of health and educational institutions. We'll continue to do that but we now need to augment our regional and leading practice work with what we're calling 'transformation support': metrics, standards, staff development and stronger communication of project results. We need to support improvement of the supply chain function in a way that's system-wide and system-driven. We'd also like to broaden who is involved, to work more closely with sector associations, for example, and perhaps with other sectors, such as municipalities."

The bigger picture is both daunting and looming. "We cannot change the system one project at a time or even 40 projects at a time. It is too big. We've proven the point and have many demonstration projects to reinforce the value of regional supply chains. We still need to give them more examples, implementation details and opportunities to explore, but the key now is finding the buttons to have the system start to drive itself. We need to invest more in communicating the success stories and in developing the skills of our supply chain staff and leaders." ■■■

David Newman is an Ottawa-based writer, editor and consultant who claims to have survived a past career in Communications and Public Affairs in both private and public sectors.



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