



Corporate Contracts
Management Ltd

address PO Box 5574, Wellington
telephone 64 4 568 7509
mobile 027 418 4366
email margaret@corpcontracts.co.nz
website www.corpcontracts.co.nz

FLORIDA ASSOCIATION OF PUBLIC PURCHASING OFFICERS

CONFERENCE PAPER:

PROCUREMENT STRATEGIES TO OVERCOME DEFICIENCIES

Deficiencies – such a strong negative word. Procurement is an area in which we want to reduce – even better remove – such a problem.

However we usually leave managing deficiencies until we **have** to do something rather than being proactive early. Why is this? Often it is because we are caught in the day to day trap and not looking at the big picture.

Definitions of Deficiency:

1. Defect
2. Lack
3. A shortage

In this context all three can relate to procurement

In procurement, deficiency often means poor performance. This paper will focus on strategies to manage the issue.

We need to be proactive and be prepared to promote the vision of what we want. We need to communicate our particular requirements and be clear that we have a zero tolerance towards deficiencies.

We need to think and act smart and one way is to have a policy on what is and what is not acceptable. Another is to have a clear direction regarding acting early, meeting with the supplier to outline concerns. The policy needs to be communicated widely – and to suppliers.

Question: can those deficiencies be within **your** organisation? Do not assume that it is always externally related. It can be harder to manage internal deficiencies than external ones. When it comes to procurement performance it needs to be recognised that buyers may also be the reason why suppliers do not perform well. We need to look at ourselves and remove the issues that lead to deficiencies i.e. Red tape, bureaucracy, 'politics', poor systems etc.

We need to undertake an assessment of our work practices so that we do not put blame at others doors rather than our own. Having said that deficiencies can come about by the same issues above – but on the supplier side. In addition there can be the inability to provide as per the contract requirements.

Other useful strategies – often it is useful to identify and implement education and training components so that all have an understanding of the specific requirements. In addition the issue of compliance needs to be managed so there is no doubt as to what is required. Non compliance is not acceptable and should be made a performance matter.

Possible actions: having – and using! - penalties can assist. This can be by way of non payment, progress payments on met milestones or keeping a portion of monies until any outstanding issues are resolved. Penalties can of course be \$ or % based on part or whole of the contract sum. It is a shame that penalties can be put in place but not followed up on, which does not give a very good message to suppliers. There is no point having such a tool and not being prepared to use.

Internally, undertaking a review can be useful to get a fresh perspective. It can be a case study and decisions can be made as to the exact nature of the problems.

Are we looking to strategies to overcome deficiencies or are we looking to overcome strategic deficiencies?. Hopefully both as the aim is to remove deficiencies altogether. One of course is **an** issue but the other is **the** issue and a problem as it has become an endemic.

We need to show what can be achieved so that we can confidently look forward knowing we can identify and remove deficiencies. One way is to run a pilot covering best practice.

To do this, we need to do a review which should be undertaken to decide on the specific product or service to run as a pilot. This can be done by way of looking at historical data. A training programme covering staff within the product/service area would be useful to promote a pilot. This can be used as a way forward so that past actions do not influence future actions. Communication is the key and positive feedback will be more likely occur if staff are involved. A pilot of a minimum three months duration and maximum of six months duration to be put in place. The results must be recorded and then communicated to all staff so that hopefully positive results can be seen and passed on.

Staff will more likely 'buy in' to something where they can see results. The hip pocket scenario!. It is important to 'sell' the message. With respect to running a pilot it is useful for a specific timeframe. Eventually however the pilot needs to be either stopped or implemented as a fully organisational requirement.

Hopefully this pilot will show what can be achieved. This can then form the basis of a guide to use for the whole organisation.

At that point an implementation plan as well as a training plan, would be necessary and a timeframe put in place to implement across the organisation. There will be a need to have a champion for the cause and to be able to achieve 'buy in' from all relevant parties.

SUMMARY

We need effective strategies but having well trained staff is absolutely essential. We cannot afford to think deficiencies are acceptable and we need a strategic mechanism to reduce or eliminate

them, that is backed by management. The result of doing nothing in an organisation can be costly and even more so if deficiencies are ongoing. Financially this cannot be sustained.

We need to take control and to make sure our suppliers perform to the contract. This way we can work to the removal of deficiencies – a good result for all. Effective strategies are a necessity.

Deficiencies – we need to remove the tags of (a) Defect, (b) lack and (c) a shortage and replace them with: (a) positive strategic procurement, (b) well trained staff and (c) product/service savings etc. We can then procure confidently and in this time of uncertainty look to having contracts that are robust.

Is it achievable? Yes, but only if we work at it. That is the point of this paper. We can overcome deficiencies and we can turn it around so that both buyer and supplier can benefit – the ultimate outcome.

Margaret Gilbert
Director
Corporate Contracts Management Ltd
Contract Matters Ltd
Phone: 00 64 4 568 7509

www.contractmatters.com

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