

# **Government Technology Conference**

**September 24, 2007**

# **WELCOME**

# GTC – Public Procurement

## Our Goals

- Understand New York State context
- Describe background that will affect your project
- Determine complexity of your project, scope the effort and assess users' needs
- Appreciate the importance of project planning
- Assess the competitive market and determine the risk factors
- Share collective experiences and lessons learned

# Our Assumptions

- Procurement of technology
- Level the laying field-competition is desirable
- All levels of expertise
- Willingness to share experiences

# Agenda

- 9:00–10:00 – Background and introductions
- 10:00-10:30 – The New York context
- 10:30-10:45 – Break
- 10-45-12:00 – Stakeholder analysis/project planning
- 12:00-1:00 – Lunch
- 1:00-2:30 – Competitive environment/The vendor perspective
- 2:30-2:45 – Break
- 2:45-4:00 – Lessons learned/compare notes

# Who We Are

- Ruth S. Walters – The Walters Group
- Meghan Cook – Center for Technology in Government
- Arthur M. Brown – The Walters Group

# New York State Context



Ruth S. Walters

# Agenda

New York State Statutory Framework  
Procurement Stewardship Act  
Procurement “Players”  
The Process  
Ethics  
Policy Issues  
Trends

# Statutory Framework

Article 11 – State Finance Law

Article V Section 4 – State Constitution

Legislative Law - Lobbying

State Finance Law – Restricted Period

# Procurement Stewardship Act

1995 – Reform and Consistency

Sunsets (2000, 2005, 2006, 2008)

Section 163. State Finance Law

- competitive bidding for services
- “best value”
- use of contracts by other governments
- mwbe/small business preference
- discretionary thresholds
- vendor preparation of specifications

Preferred sources

State Procurement Council

# Procurement “Players”

State Agencies

Office of General Services

Office of the State Comptroller

Division of the Budget

Office for Technology

Attorney General

State Procurement Council

Political Subdivisions/Non-profits

Vendor Community

Businesses

Non-profits

Preferred sources

MWBE

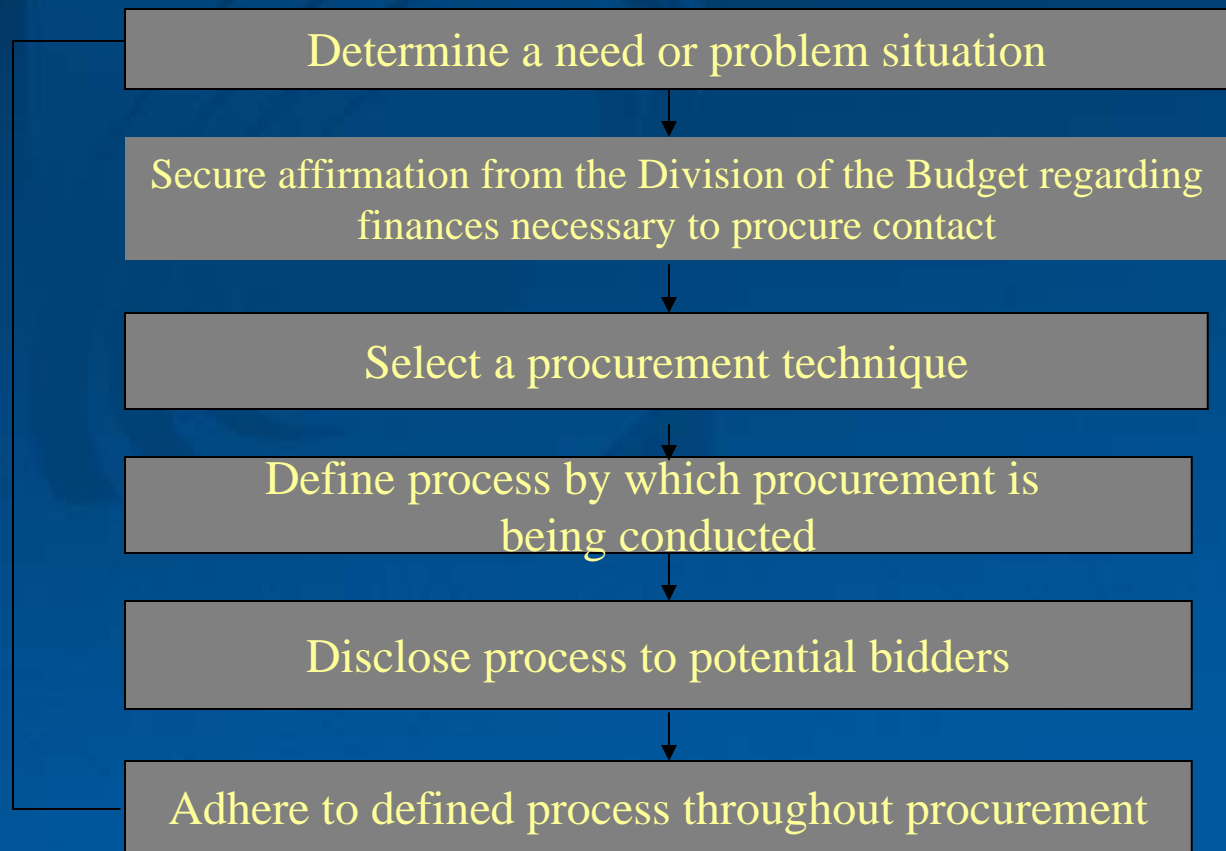
State Legislature

Lobbying Commission

Advisory Council on Procurement Lobbying

# Procurement Process

Document all steps in the procurement record, which is reviewed by the Office of the State Comptroller



# Procurement Options

- Preferred source
- Centralized contracts (OGS)
- Piggyback
- Discretionary Purchase
- Sole source/single source
- RFI
- IFB
- RFP

## Procurement Methods

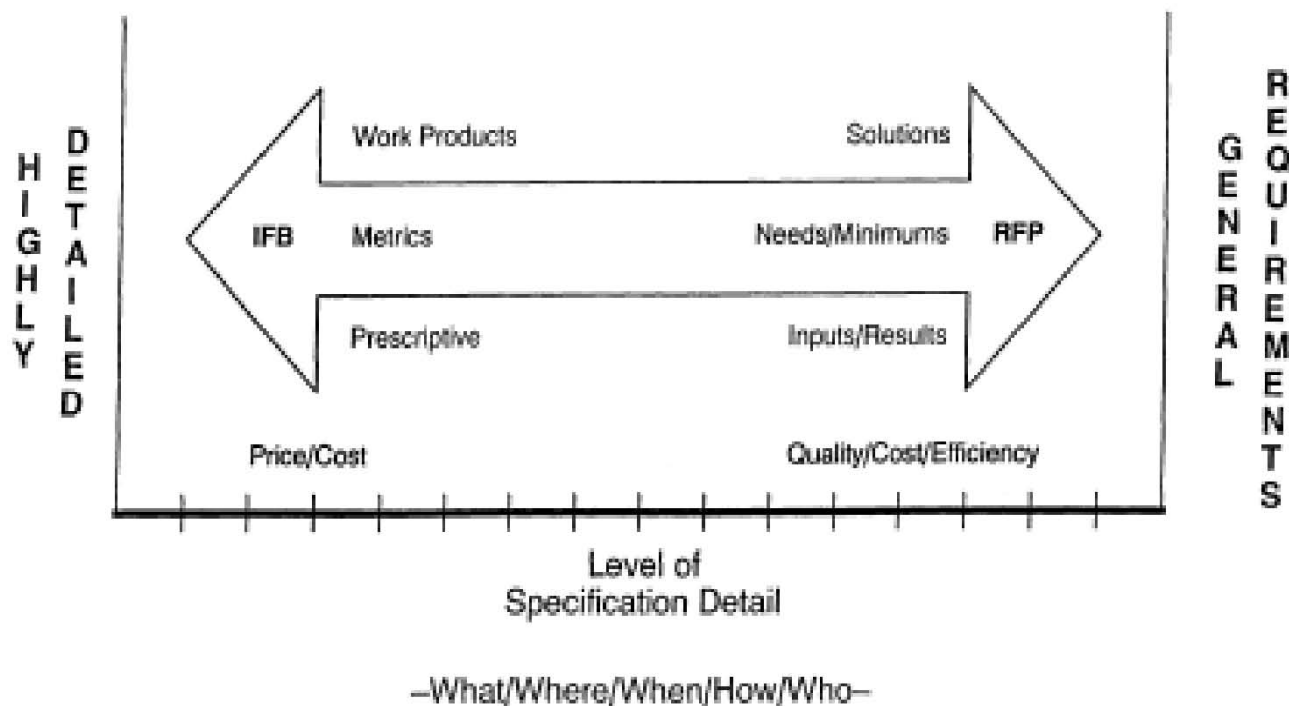


Chart courtesy of Procurement Council Guidelines

# The Procurement Council

- Statutory Basis
- Membership
  - Ex Officio (OGS, OSC, OFT, DED)
  - Appointed at Large
- Recommend Improvements
- Strategic Plan
- Guidelines
- Appendices

# Procurement Ethics

Ethics Statute (revolving door, POL)

Procurement Lobbying

E.O. 127

Vendor Responsibility

Consultant Disclosure Law

# Procurement Lobbying

Advisory Council or Procurement Lobbying

<http://www.ogs.state.ny.us/aboutOgs/regulations/defaultAdvisoryCouncil.html>

Lobbying Provisions

Restricted Period

# Procurement Policy Issues

## Economic Development Role

- Preferred sources
- MWBE
- Small business
- Recycled/Green

## Vendor Responsibility

Oversight

Timeliness

Creativity

Outsourcing

# Procurement Challenges

Outcome based oversight

Constant modifications

Strong third party management

Innovations – how to adapt to the RFP process

Core Competencies

# Management Challenges

Aligning goals across organizations

Providing oversight

Communications

Multiple partners

Capacity

Cross Agency Collaboration

# Procurement Reform

**Risk Levels**

**Procurement Planning**

**Procurement Professionalism**

**Flexibility**



# **Making a Case for an Investment**

(whether its yours or someone else's)

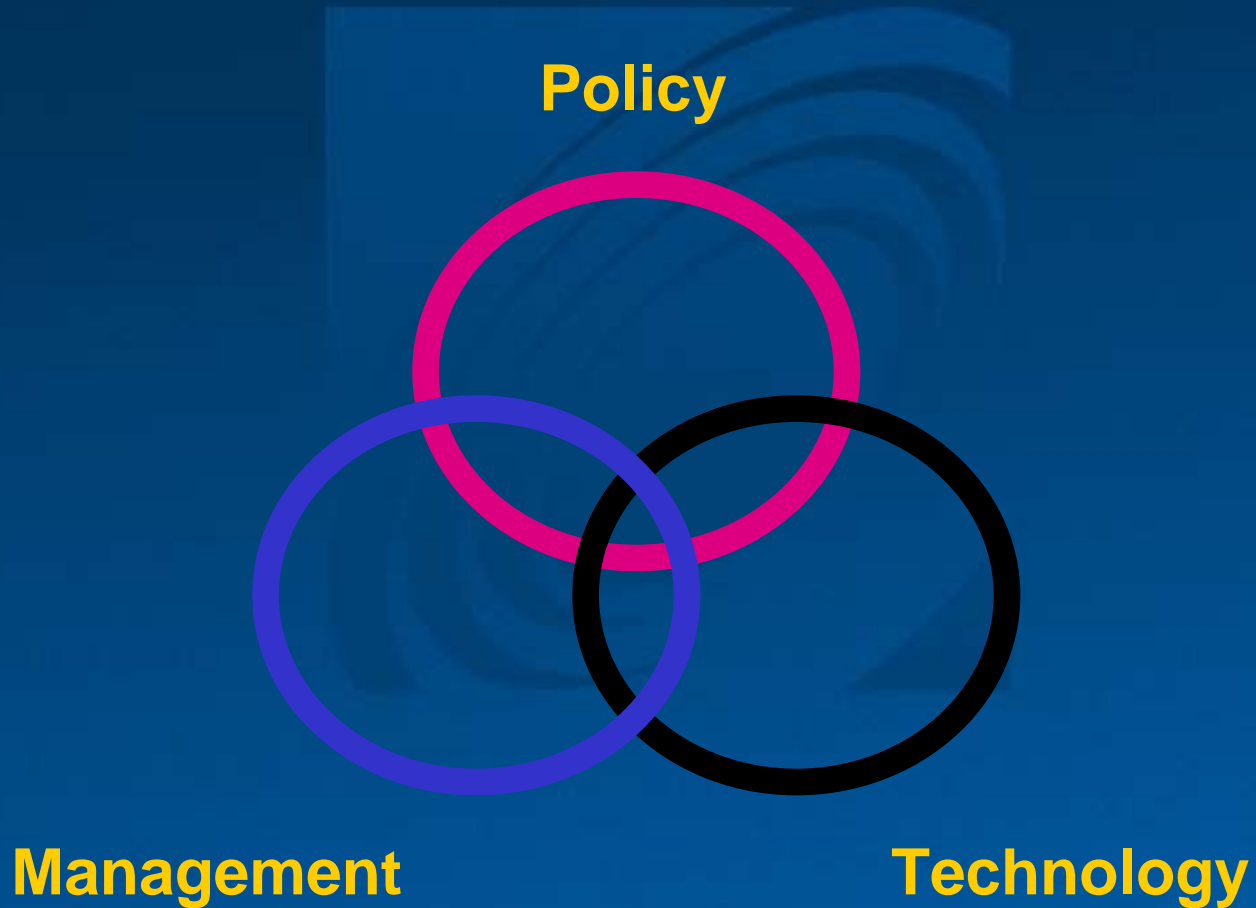
Meghan Cook

# What is CTG?

- *An applied research center at the University at Albany.*
- We work with government to develop information strategies that foster innovation and enhance the quality and coordination of public services.



# Our Problem Solving Focus



# Risks of IT Innovation

- Public sector environment in the United States
  - divided authority, multiple stakeholders, many links
- Organizational factors
  - alignment, support, & acceptance
- Work-associated risks
  - business process design
- Technology-related risks
  - too much hope, too little knowledge



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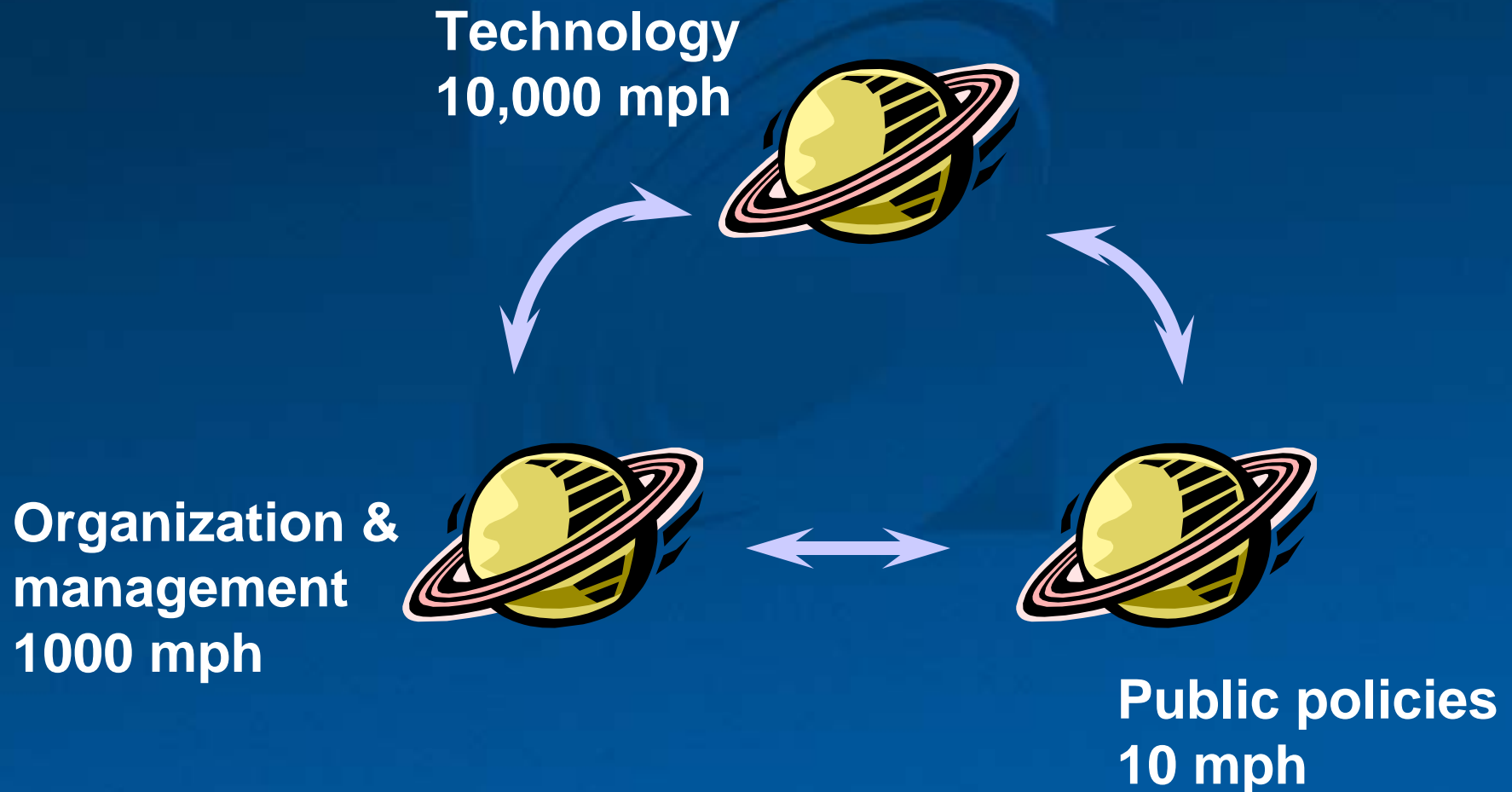
# Dangerous Assumptions About Innovation...

- If its new it must be better
- Technology will solve the problem
- If you build it they will come
- Of course they will see how much better this is
- They have no reason not to adopt the new approach

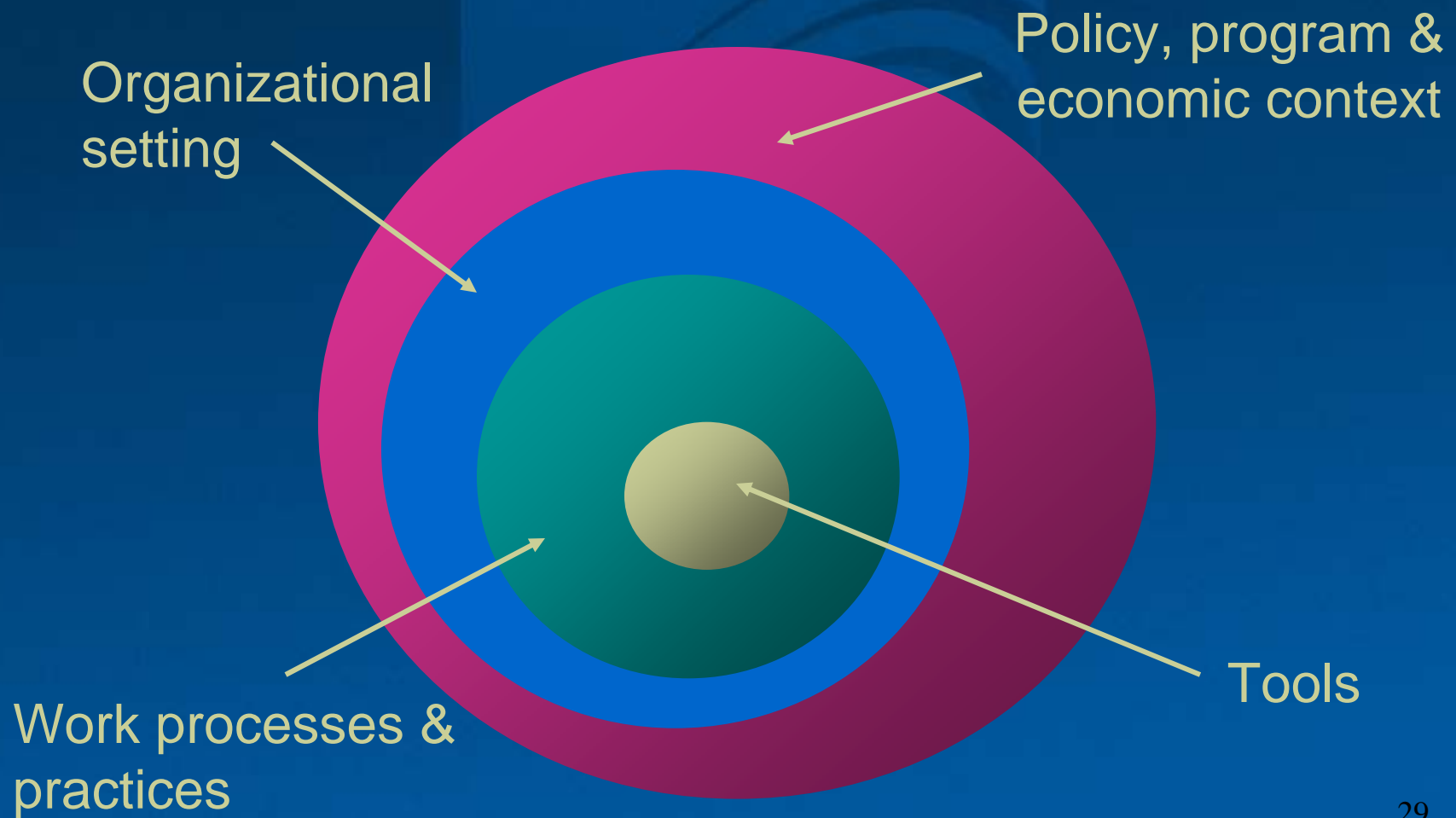
# Why Do They Fail?

- Lack of clear understanding of why access to information is valuable
- Lack of clear understanding as to how this information will be used

# Understanding the World of Action



# Understanding Layers of Complexity



**How do you know if what is  
proposed is actually what is  
needed?**

**OR**

**How do you know what you need?**

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**“My team has created a very innovative solution,  
but we’re still looking for a problem to go with it.”**

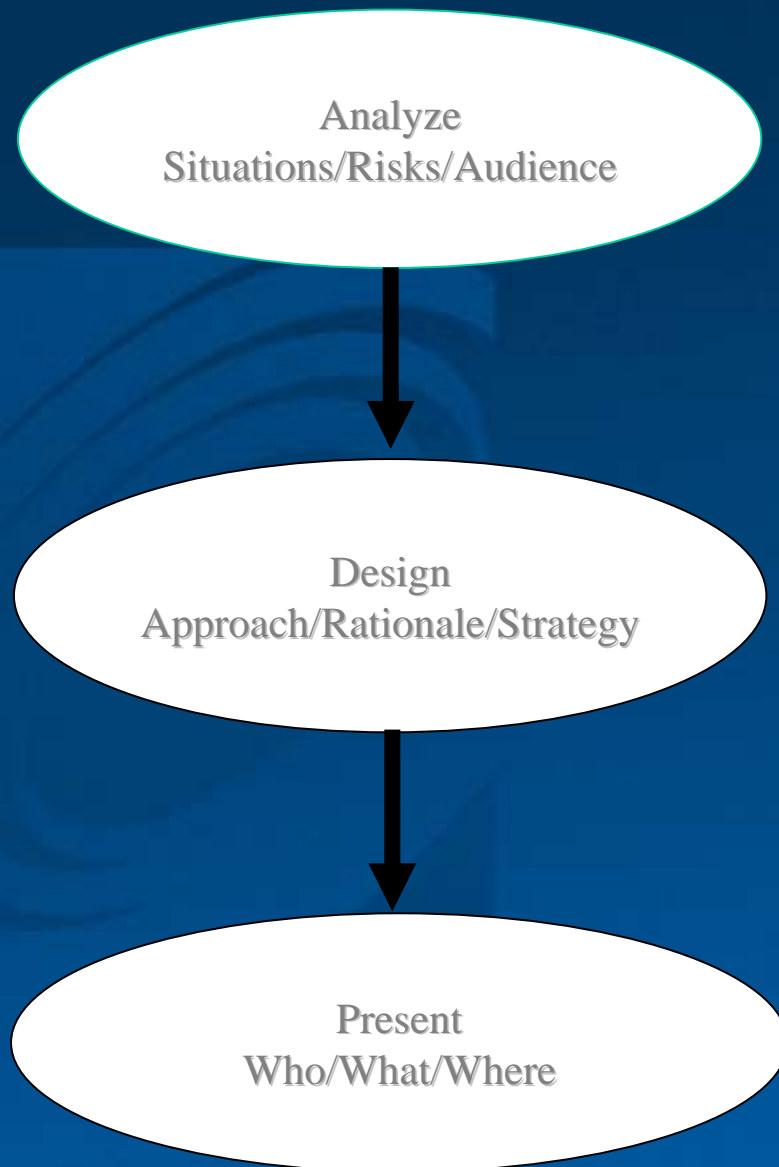
# Finding a Solution

- Uncover the problem
- Determine potential solutions
- Understand the environment
- Know some best practices
- Identify resources
- Learn about stakeholder and relationships,

Then...

Make a Case!

# Making a Case for an Investment



# Components of a Business Case

- Problem statement
- A mission statement or vision of the future
- Specific objectives for the current initiative
- Preferred approach
- Alternatives considered
- Expected benefits
- Opposing arguments and responses

# So That...

- Risks are identified and how they will be addressed
- Performance measures are identified and stated
- Cost estimates and sources of funding are outlined
- The problem is specified, analyzed, understood and agreed upon.
- Project management and human resource implications are discussed
- A basic plan of work, timeline and key milestones are articulated

# Making Smart IT Choices Methodology

- Service Objective
- Strategic Framework
- Stakeholder Analysis
- Business Process Analysis
- Modest/Moderate/Elaborate
- Risk Analysis

# Assess Your Current Situation

- User needs analysis
- Environmental scanning
- Current/best practices research
- Benchmarking
- News analysis

# A Service Objective

## What is it? And Why use It?

- A structured way to express your intent
- To get team members to agree on the intent
- To get everyone using the same words to describe the intent
- To use as a foundation for future planning efforts

# Starting Out



To provide (who)  
with (what) that  
allows them to (action)  
so that (outcomes).

# Another Example of a Service Objective

## The Office of the State Comptroller for New York State Municipal Affairs Contact Repository Operating System MACROS

- To provide OSC/MA staff with remote/desktop access to up-to-date electronic indexed information about local government contacts that allows staff to conduct targeted and mass dissemination of information to local governments so that local governments receive useful information provided by or through OSC

# Identifying and Understanding Your Audience

- Some Tools and Techniques...
  - Strategic framework
  - Stakeholder analysis
  - Cost-benefit analysis and cost performance analysis
  - Risk analysis

# Strategic Framework

An analysis of the internal and external factors that a public organization must consider to achieve a program or service objective.

# Strategic Framework

## What is it?

“A strategic orientation, whether in government or business has five distinguishing features:

- Concerned with mission-critical activities
- Time dimension is long-range
- Looks outward, beyond organizational boundaries
- Seeks maximum ROI
- Places high value on technological, human, and information resources”

(Anderson, Belardo & Dawes, 1994)

# Strategic Framework



# Strategic Framework

## What use does it serve?

- Who needs to be on the development team?
- Do we have or can we get the desired resources?
- Is there a good match between our customers' capabilities and the technologies we propose to use?
- How will we engage in our partnerships?
- Have we pushed ourselves to think broadly about each factor, or are we staying with what we already know best?
- Does this picture make sense?

# Stakeholder Analysis

A stakeholder in an organization is (by its definition) any group or individual who can affect or is affected by the achievement of the organization's objective. (Freeman, 1984)

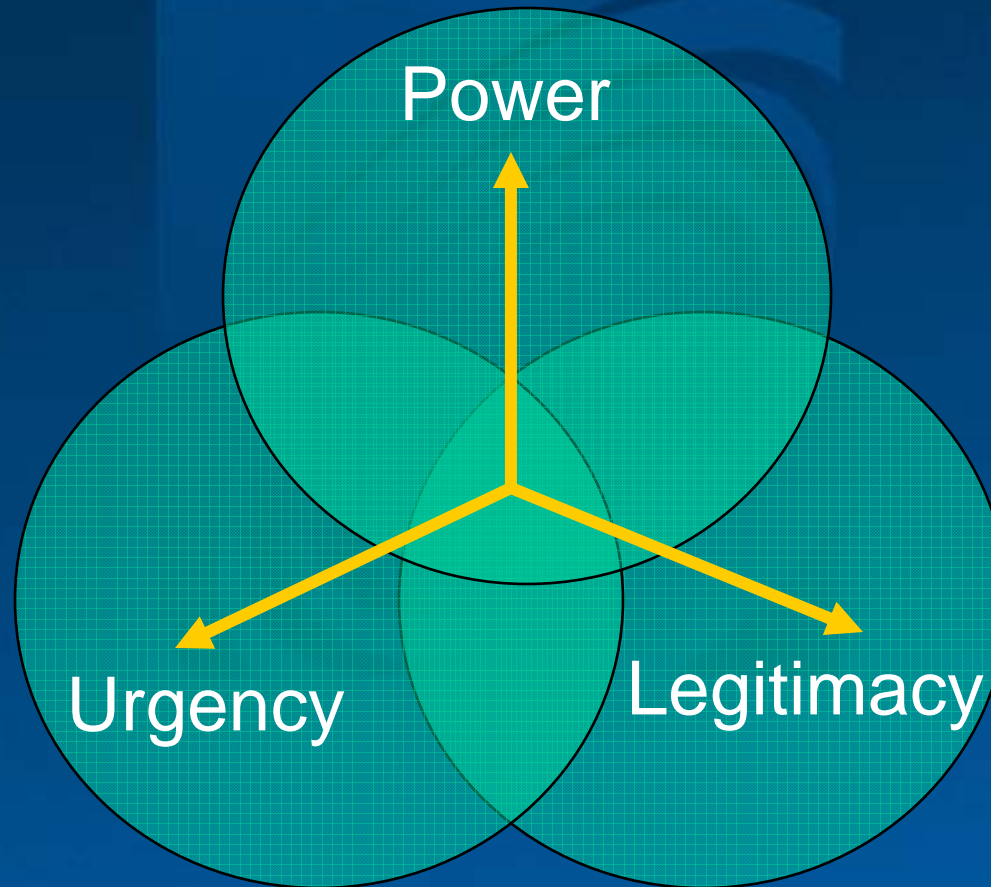
# What are the Stakeholders' Interests in Relation to the Organization or the Project?

- What are the stakeholders' *expectations* of the organization or the project?
- What are the likely *products/benefits* or *issues* for these stakeholders in their relationship to the organization or as a result of the project?

# How do you identify stakeholders?

- All users who are affected by the project
- Special interest groups impacted by the project
- Advocates of the project
- Direct customers of the project
- Indirect customers of the project
- Organizations or government agencies that will be impacted by the project
- Intermediaries to the project
- All user who may be negatively affected by the project

# Not All Stakeholders Are Equal



# Assessing Stakeholders Salience and Stance

## Power

- To what extent do you think this stakeholder has an affect or can influence the outcome of this project?

## Legitimacy

- To what extent do these stakeholders provide resources critical to the outcome of this project?

## Urgency

- Do you think this stakeholder's claims will demand immediate attention with respect to this project? To what extent does this stakeholder demand immediate attention in this project?

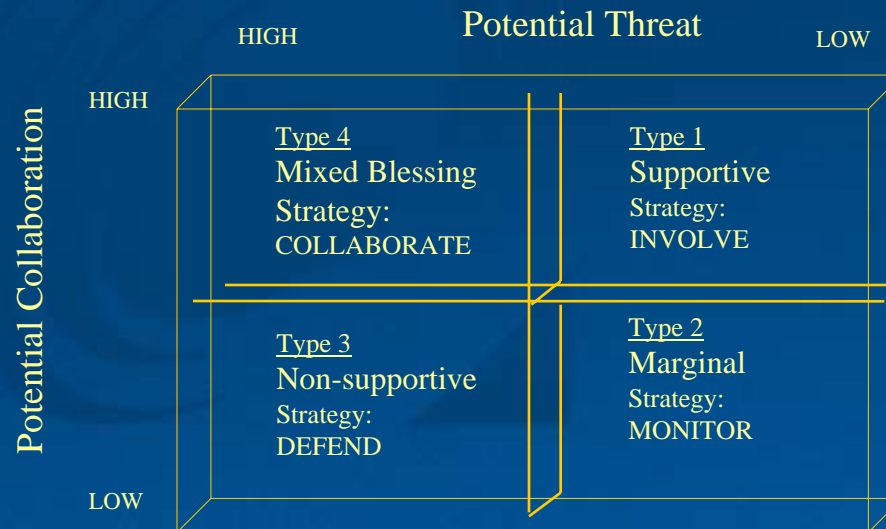
## Cooperation

- Overall, how supportive do you think this stakeholder will be with respect to this project?

# Cooperation Versus Obstruction

- *Who is likely to collaborate and cooperate in the project?*
- *Who is likely to obstruct and threaten the project?*

The Blair & Whitehead Diagnostic Topology  
(1988)



# What are the Limitations to Stakeholder Analysis?

- Makes assumptions about causal relationships and processes
- Mixes qualitative and quantitative impacts
- Does not gather or generate enough hard data to draw solid conclusions

# Process Perspective

- What functions we are responsible for?
- How does incorporating technology support or transform this function?
- What will this perspective tell us?

# Process Perspective

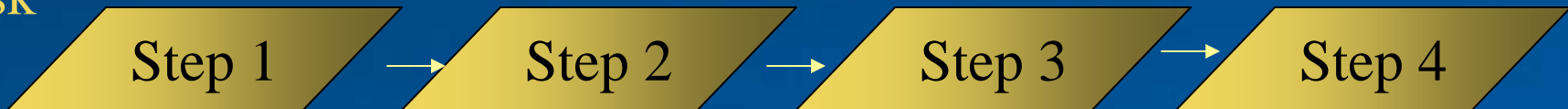
Policy Requirements



Information Flow



Task



# Why is it so important to study existing processes?

- Making the implicit explicit
- Inhibiting prematurely jumping to a solution
- Creating a commonly understood, externalized definition of the problem
- Establishes benchmarks for measuring the impact of a particular change.
- A way to answer the question of “How many?”
  - How many transactions in a given time period?
  - How many people involved?

# Identifying Modest/Moderate/Elaborate

- **Modest** --the minimum investments worth making. A modest set of services would probably include relatively inexpensive features and limited information sources.
- **Moderate**-- a plan for information access services might include additional features and a wider range of information sources. Delivery might be targeted at several distinctly different types of customers.
- **Elaborate** -- Realistically, what is the most you could hope for? A wide range of services and/or technically sophisticated design goals, consistent with the resources potentially available to the program.

# Articulating a vision and choosing specific objectives

- Some Tools and Techniques...
  - Hopes and fears exercises
  - Focusing on a service objective
  - Strategic framework
  - Cost performance modeling

# Cost Performance Modeling

## Tangible and Intangible Costs

### **Tangible:**

- Include one-time and annual costs such as hardware, software, staff time for design and testing, training, data conversion and maintenance, and development costs

# Examining Implications of Investment Alternatives

## Intangible: (is harder to get)

- The qualitative benefits that are expressed in “cheaper, faster, better” terms through M/M/E framework

Identify cheaper, faster, better benefits for each level



# Estimation Analysis Efforts

**Products  
and  
features**

- **Stakeholder Analysis**
- **Service Objective**
- **Strategic Framework**
- **Process Model**

**Three alternate  
levels of  
functionality**

- **Modest**
- **Moderate**
- **Elaborate**

**Anticipated  
benefits  
classified into 3  
categories**

**Cheaper**

**Faster**

**Better**

# Cheaper - Faster - Better

## Program Design Tool, Part 2 - Benefits

	<b>Modest</b>	<b>Moderate</b>	<b>Elaborate</b>
<b>Cheaper</b>	For CHS, placing the PDF version of the book on the Clearinghouse will be more expensive than just printing the 5000 copies of the book.	For CHS, costs will increase with every new feature and functionality, new data set, new meta data requirements, etc. Supplier costs will increase with new meta data requirements. User costs will decrease due to better access.	Same for CHS. Supplier costs will increase due to new meta data requirements but decrease due to automated loading. User costs will decrease due to better access and tools.
<b>Faster</b>	Users will have access to the data faster than if they had to wait for the book to be printed and delivered.	Add: users will be able to conduct analyses faster than if they had to re-enter data from the book or get it from the source. Data analysis tools provided by the Clearinghouse will eliminate the need to download data for use in separate tools. Data and data manipulation tools will be online and readily available for use.	Add: Users will have more timely access to the data as suppliers will load data directly to the Clearinghouse upon its availability.
<b>Better</b>	Only 5,000 copies of the book are printed. Unless potential users receive one of the 5,000 copies or have access to one, the data, as compiled is unavailable to them. The Clearinghouse, gives many more users the opportunity to use the data.	Users will have the capability to use the data in new ways. Users will be able to query the data for different types of questions than the book supported. The available information and meta data will no longer be limited by the size of the book. More timely access to data. User will be provided with links to related resources.	Users will have ready access to both data and analysis tools to support decision making and planning. The use of a Clearinghouse model allows for CHS to adjust more readily to changes in the programs and services reported.

# Finally- Avoiding Shortcuts

- Taking a narrow, technology focus
- Underestimating the need to conduct in-depth analysis of existing processes
- Oversimplifying assessments of process complexity
- Oversimplifying the process context
- Succumbing to pressure to move forward

# And Questions to Always Keep in Mind

- Agency programs and IT strategies are intertwined, does the solution adequately address this?
- Does the solution present a holistic view of the organization, its culture, systems, processes, and stakeholders
- Is there a thorough understanding of how technology will be used AND a solid understanding of how underlying work process will need to be changed.

# The Vendor Perspective

**Arthur M. Brown**

# The Vendor Perspective

- One of the basic principles of public fiscal stewardship is the responsibility of government to procure goods and services competitively at a fair and reasonable price. It is a widely accepted theory that competition has a direct effect on the price and quality of goods and services rendered. Therefore it is in the best interest of the state to create a procurement environment that encourages competition, is and is perceived to be open, free, and fair in order to obtain the best value for taxpayer monies spent.
- This section will cover the perspectives of for profit corporations in determining whether or not to bid on public sector projects; how they assess the potential success of a project, how they view contractual risk and project risk, and finally perspectives on pricing determinations.

# Agenda

- To Bid or Not to Bid.....
- Assessing Project Success
- Risk Management
  - Contractual Risk
  - Project Risk
- Pricing

# To Bid or Not to Bid.....

- Responding to RFP's or RFI's is a major undertaking for firms seeking to do business with New York State.
- The decision whether to bid or not differs from company to company but in general there is usually a standard opportunity evaluation process that takes place before bid and proposal resources are committed.
- The resources that are committed when a "go-bid" decision is made can be enormously expensive in dollars and human capital. They typically involve firm leadership, regional leadership, industry leadership, business development staff, proposal development staff, technical staff, legal staff, the CFO's Office and others. There may also be situations where outside consulting services are required of a legal, political or proposal development nature. These services are billed internally to the New York account where there are career influencing performance expectations.
- A significant portion of the proposal development team have delivery responsibilities as team members may be located on projects across the country.
- Depending on the construct of the project and MBE/WBE goals, the effort becomes more complicated due to NDA's, Role and Responsibility negotiations, Flow-Down negotiations, Bonding Issues, Contractor Responsibility Issues and Teaming Agreements.
- There may also be negotiations required with non project contractors if there are office or training space requirements.
- Sometimes referred to as "The Death March", proposal development can be exhausting, extremely stressful and mentally and physically overwhelming to consultants and their families.

# “Bid” or “No Bid” Considerations – Can We Win?

## General Considerations

- What level of competition will there be?
- Is this opportunity a continuation of an existing project?
- Is there strong relationship between the agency and another competitor who is positioned to more fully understand the project requirements?
- Is there an existing relationship with another vendor that would make it difficult to the agency to evaluate proposers equally?
- Did our firm know about the RFP prior to it being released. Was information about the procurement openly communicated to the vendor community? Has it been difficult to obtain meetings with agency leadership regarding the intended project; has the agency openly communicated their goals/objectives?
- Was there a Vendor Roundtable, Bidders Conference, adequate Q&A Period?
- Was there an opportunity for the firm to have substantive discussions with the client prior to the release of the RFP so that the client could take into consideration the motivating factor (s) behind the procurement and communicate to the client the firm’s unique technology or implementation methodology.
- Does the project include ancillary components that are considered essential to the projects success? (change management, communications plan)
- Does the evaluation put more emphasis on price over solution?

# “Bid” or “No Bid” Considerations

## Do we want the business?

### Internal Considerations

- Firm Leadership will assess the business case for going forward. This internal process could take up to two weeks for a value review committee to obtain information and make final go-no go decision.
- The decision will be based on a number of factors including
  - Win Probability Percentage
  - Agency Performance and History with Vendors
  - Level of Services Sought
  - Executive, Agency and Stakeholder Buy In
  - Project Timeline
  - Level of internal Resources Available
    - Sponsoring Partner; Project Manager; Proposal Development Resources
  - Defined Scope of Work
  - Determination of Profitability

# Assessing Project Success Factors

According to CIO Magazine (July 17, 2007) an analysis done by The Standish Group International found that 19% of projects were outright failures, 46% were challenged and 35% were considered successes. It used to be worse. A similar 1994 study found that 31% were total failures and only 16% were completely successful.

Project Success is important to vendors because of the resulting

- Financial Implications
- Reputation Issues - statewide and national
- Opportunity Loss
- Future Business
- Career Issues

# Assessing Project Success Factors

## Some Considerations

- Agency History
- Leadership
- Executive Changeover
- Politics
- Compelling Events
- Adequate FTE Staffing
- Compliance with Timelines
- Project Management Skills
- Work Plan Buy In
- Stakeholder Buy-in
- Essential Ancillary Components
- Communications
- Improper Scoping/Scope Creep
- Deliverable Acceptance History

# Risk Management

## Contractual Risk

- Terms and Conditions
  - Letters of Credit
  - Unlimited Liability
  - Liquidated Damages
- Pre Bid Exception Restrictions
- Payment Structure
- Guarantees
- Reasonable Dispute Resolution
- Intellectual Property
- Contractor Responsibility Certifications

# Risk Management

## Project Risk

- Organizational Resistance to Change
- Insufficient Resources and Sponsorship of Project
- Unrealistic Expectations
- Lack of Project Leadership, Management and Control
- No Compelling Event
- Project Team Skills, Training and Assignment
- Scope Expansion
- Change Leadership
- Failure to Take a Process View “as is - to be”
- Poor Fit Between Technology and Business Needs
- Timeline Slippage
- Vendor Bandwidth

# Pricing

Pricing is based on –

- Project Deliverables are primary basis for pricing in addition to Internal Hourly Rates relative to firm imposed margins
- “Fixed” or “Time and Materials”
- Pricing is Also Based on Project Assumptions
- Pricing May Be Based on Staffing as dictated in the RFP
- Deliverables Acceptance Agreement
- Project Support Expenses (i.e. bonding costs, LOC, Holdback %)
- Administrative Support
- Real Estate Office, Training Facilities Travel and Housing Meals and Transportation
- Software Licensing
- Commercial Business Opportunities and Rates
- Outsourcing Restrictions
- Non Project Related Reporting Requirements i.e. Contractor Consulting Forms



# Lessons Learned

## Compare Notes

# 1. Understand the procurement process and seek assistance

OGS

OSC

CIO

Other agencies

## **2. Engage Stakeholders and Understand the Culture**



# 3. Procurement planning



# 4. Engage the vendor community



**5. Have the RFP and ultimate contract match the project risk**

**6. The procurement process is never aligned with the budget and legislative process**

**7. All of this will take a tremendous amount of time**



# 8. OP & NT =EOP



# 9. Conduct project reviews and post mortems

