



**GOING DIGITAL IN PUBLIC SECTOR
PROCUREMENT: HOW NATIONAL AND
REGIONAL AUTHORITIES CAN CATCH UP WITH
GLOBAL BEST PRACTICES FROM SOURCE TO PAY**

JAGGAER 

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INTRODUCTION

Public procurement is the process by which public authorities, such as government departments or local authorities, or public sector trusts such as the UK National Health Service, purchase goods, works and services from companies. It accounts for a huge amount of the public purse. Every year, more than 250,000 public authorities in the European Union alone spend around 14% of GDP (around €2 trillion per year) on the purchase of goods, works and services. Yet in most authorities there is little willingness to adopt new technologies to improve the efficiency of procurement. In part, this is due to a lack of pressure to implement changes from political leadership. There is also a high level of churn between government departments and therefore little incentive for senior civil servants to address the issue.

A recent Italian study highlighted the structural difficulties many public authorities face when they seek to bring digital technologies into the organization. For the situation to improve, the report identified three things that must happen:

- In the first place, clear rules and tools for public procurement are necessary
- Organizations must change their business models and offer interoperable solutions that can adequately enhance public assets
- Public authorities must focus more on their back-end processes, develop solid digital skills and master the tools with which they can collaborate with supplier companies

The study¹ pointed to the disconnect between public and private sector environments respecting public rules, processes etc. for the procurement of digital solutions: “Suppliers that do not seem to be sufficiently proactive in offering innovative solutions to their customers and with little incentive to do so (due to cumbersome procurement systems and a market that is largely incapable of recognizing and rewarding the quality of solutions supplied)”.²

However, at JAGGAER we have seen a growing number of successful projects, many of which we have been directly involved with, that have delivered significant gains. In this paper we outline some of the main challenges faced by public sector procurement and set out some concrete actions that can help to overcome or mitigate them.

¹ Osservatorio Agenda Digitale, Italia digitale: come evitare l'anno zero (Digital Italy: How to Avoid Year Zero) pp. 57-70. Published by the Milan Polytechnic School of Management.

² Ibid p. 69.

THE CHALLENGES

There are dozens of reasons why procurement is especially challenging in the public sector, but they can be organized under the following main headings:

Being Asked to Do More with Less: Demonstrating Value to Taxpayers

It is no secret that citizens expect government investments to improve services while lowering costs. Procurement is asked to “do more with less” in all sectors but the pressure is especially intense in the public sector, where political parties are tasked to demonstrate that they are delivering value to taxpayers, the return on investments is unclear, and the risks of high-profile failures are serious.

To demonstrate that you are getting better value, you need spend visibility, and this has traditionally been very difficult in the public sector. Lack of visibility means lack of leverage over spend. While governments have a very good macro view of what they are spending on a cash basis, from a procurement perspective there is often very little detailed information, even on major spend categories. They often do not have the visibility needed to quantify, for example, total spend with any individual supplier. And as far as the detail is concerned, such as precisely what they are buying from individual suppliers across departments, they often have virtually no information at all.

Meeting Multinational, National and Local Regulatory Frameworks

Every public sector organization in every country must work within a public procurement legal and regulatory framework, meaning the set of laws, regulations, and policies that govern the implementation of the procedures and processes necessary to acquire goods, works and services of public sector organizations.

Within Europe, this starts at the EU level. To create a level playing field for all businesses across Europe, EU law sets out minimum harmonized public procurement rules in a series of directives:

“EU directives on public procurement cover tenders that are expected to be worth more than a given amount. The core principles of these directives are transparency, equal treatment, open competition, and sound procedural management. They are designed to achieve a procurement market that is competitive, open, and well-regulated. This is essential for putting public funds to good use.”³

EU directives are subsequently incorporated into national law e.g. through the UK Public Contracts Regulations 2016.

³ https://ec.europa.eu/growth/single-market/public-procurement_en



A Need to Integrate with Multiple Systems and Standards

Public sector procurement bodies need to integrate with national and multinational systems and standards. In the European Union tenders above a certain level have to be submitted through the Official Journal of the European Union (OJEU) and supplier information is posted in the [European single procurement document](#) and eCertis. Trade agreements such as the Comprehensive Economic Trade Agreement (CETA) include set rules on the procurement process that prohibit discrimination, require transparency and encourage competition for tenders, in this case between Canada and EU countries.

In the UK, there are various systems to adhere to. Purely as examples of contract opportunity advertising systems, there are TED – an extension to the Official Journal of the EU, [ContractsFinder](#) (England), PublicContractsScotland (Scotland) and Sell2Wales (Wales).

Demonstrating Social Value: Sustainability, Local Employment and Other CSR Issues

The United Kingdom's Public Services (Social Value) Act 2012 calls for all public sector commissioning to take into account economic, social and environmental well-being. It requires that all public bodies in the UK, including local authorities and the NHS, consider how the services they commission might improve the social, economic and environmental well-being of the area. There is separate equivalent legislation for authorities in Scotland.

The Act was passed partly in response to pressure from voluntary organizations (the “third sector”). This was, in part, with the aim of increasing public spending with social enterprises.

The Act as finally drafted is designed to ensure that public spending leverages value in all three recognized domains or pillars of sustainable development, the so-called triple bottom line: social, economic and environmental.

Since the Act came into force progress has been patchy and the results somewhat disappointing for low-value contracts below the OJEU threshold. There are a number of reasons for this, including limited awareness of the Act, poor understanding of how to apply it within government procurement, and the lack of agreed standards for measuring Social Value.

In addition, the Act came into force at a time of fiscal restraint. Public sector organizations have been under intense pressure to reduce costs. Social enterprises have also struggled to get the necessary visibility to be invited to participate in tenders.

The subject has been dealt with in more detail in a separate JAGGAER white paper, [Procuring Social Value](#).

Similarly, measuring Germany's success in public procurement must go beyond traditional economic indicators to incorporate broader considerations such as well-being. One of the most important institutions in this context is the German Regulatory Control Council (*Normenkontrollrat*, NKR). The work of the NKR is in line with international best practice for conducting regulatory impact assessments. Germany conducts both analyses based on forecasts (ex-ante) and analyses based on results (ex post) of laws and regulations in different domains.

For example, Germany's Federal Environmental Agency (*Umweltbundesamt*) published a detailed guidance document in 2014 to enable lawmakers to conduct an analysis of the environmental effects of a new law or regulation.⁴

Delivering Procurement Decisions in a Transparent and Auditable Manner

Maintaining probity in procurement involves more than simply avoiding corrupt or dishonest conduct. It means ethical behaviour that upholds the values of public service and ensures impartiality, accountability and transparency.

Procurement professionals therefore need to adhere to standards that go beyond the regulatory framework; public sector bodies issue guidelines that should be an ongoing reference at all points of a tender, supplier management, contract management and payment processes.

Information Requests

Freedom of information is an extension of freedom of speech, a fundamental human right recognized in international law, which is today understood more generally as freedom of expression in any medium, be it orally, in writing, print, through the Internet or through art forms. Over the past 20 years, most European Union countries have enacted specific freedom of information legislation. But whatever the ethical considerations, FoI requests can be a time-consuming distraction when procurement professionals are asked to retrieve documentation relevant to public tenders etc.

⁴ See Public Procurement in Germany: Strategic Dimensions for Well-being and Growth, OECD, 26 August 2019.

Project Cancellations

Government policies can change quickly for a number of reasons, which can have a major impact on procurement, especially where large infrastructure projects are concerned. In the UK, for example, there is ongoing doubt about the future of projects such as High Speed 2 and the Heathrow extension, and the Franco-Spanish MIDCAT project, backed by the EU, was under a cloud of uncertainty for much of 2019.

Apart from political decisions, a frequent reason for the cancellation of major public sector projects is failure to attract private sector investment.⁵

Low Risk Tolerance/Impacting on Innovation. A Fear of Negative Publicity

No public authority wants to be caught up in a scandal such as the Carillion collapse in the UK.

“The folly of using contractors to drive down the cost of providing public services has been exposed by the collapse of Carillion, an official report has shown.

“The House of Commons public administration and constitutional affairs committee found there are fundamental flaws in the way the government awards contracts because of ‘an aggressive approach to risk transfer’.

“The report [...] found that ministers try to spend as little money as possible when awarding contracts while forcing contractors to take unacceptable levels of financial risk.”⁶

Supporting Major One-Off Procurement Activities

Major prestige projects, infrastructure megaprojects world events such as the 2012 London Olympics, Dubai Expo 2020, and disaster relief can suddenly suck resources out of day-to-day activities and impose a major burden on public sector procurement. Think of transport projects such as Crossrail, or the 2019 flood relief in Venice.

Defining Fair and Transparent Evaluation Criteria on Projects

The OECD, EU, national governments and other institutions offer guidelines for public sector project evaluations, but what is right for each project must typically be decided on a case-by-case basis. In the absence of relevant data, it is difficult to establish a methodology for assessing the return on project finance investments e.g. to measure impact on economic activity.

Lack of Buying Power and/or Structured Procurement Infrastructure

There are few public authorities with the capacity to make large investments economically. Smaller authorities have increasing difficulty in managing an effective relationship with the market.

⁵ See for example, [A hidden roadblock in public infrastructure projects](#), McKinsey, June 2015.

⁶ [Guardian, 9 July 2018](#).

Reluctance to Embrace Change

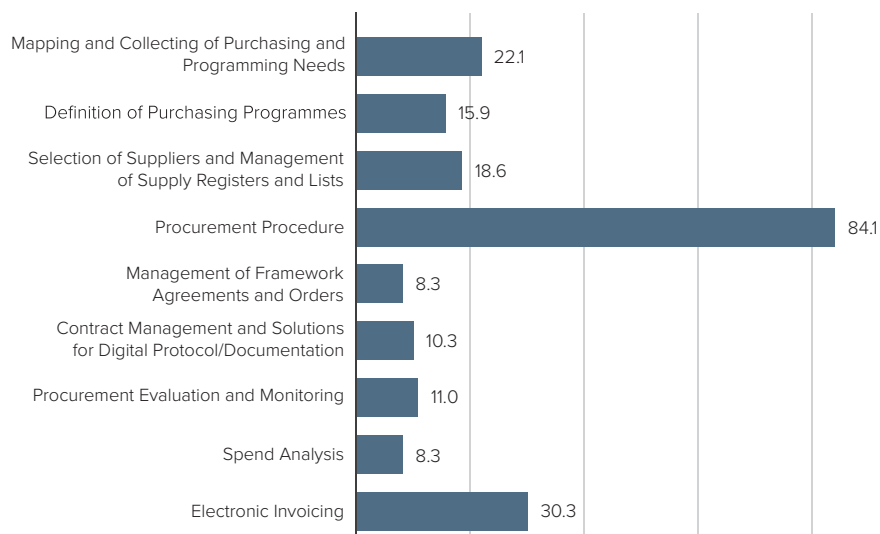
Even the best technology in the world will prove useless if the people it is designed to help do not use it. For a variety of reasons – but perhaps most tellingly, the absence of a competitive imperative – in many countries there is a particularly strong resistance or reluctance to change. That’s understandable. On the other hand, in many geographies, notably in the European Union, a combination of regulatory directives and the importation of proven approaches and qualified talent from the private sector have shifted attitudes and increased the willingness to embrace change.

Lack of Digital Skills & Technology

Many public authorities continue to have poor digital skills and to ignore the tools with which to collaborate with private companies in the procurement process. This has contributed to the reluctance to embrace change. A survey conducted by JAGGAER in association with Promo P.A. Fondazione, an Italian private foundation based in Lucca and founded in 2003, which promotes and encourages the modernizing process of public administration, found that in many areas of public sector procurement, digital technology is largely absent.⁷

More than 80 out of 100 organizations surveyed use technology in the tendering phase, but there is still a lot of work to be done to digitalize other stages of the process, which is essential to the overall quality of the contract:

- On average, one in five bodies use technology to collect needs and set up the planning process
- 19% of respondents use technologies for the selection of suppliers and the management of suppliers’ registers and lists
- Software for analysing expenditure is only used by 8.3% of the sample



⁷ Digital public procurement: a balance between expectations and reality, JAGGAER and Promo P.A. Fondazione, 2019.



One Source of the Truth at the Department of Communities and Justice

In 2018 the New South Wales [Department of Communities and Justice](#) (DCJ) embarked on a project to digitalize procurement from source to contract. The Department’s [Procurement Central Portal](#) went live in January 2019 and has continued to be improved and enhanced since then. It provides the DCJ procurement team a suite of secure online procurement tools for their business partners. For suppliers, it helps to reduce red tape and makes it easier

to do business with the Department. “The DCJ’s objective was to achieve a best practice and human-centered approach to procurement and benefits realization. The Department is now able to utilize the consolidated information that the system provides as a single source of truth to ensure that the procurement processes are fair, transparent and keeps customers at the center of the process,” says Michelle Robinson, who is the Manager Procurement Contracts and Supplier Relationship Management at DCJ “This then allows us to have meaningful conversations about sustainability, long term planning and innovation, which has improved our relationships with both internal stakeholders and suppliers”.

ACTIONS TO OVERCOME OR MITIGATE THE CHALLENGES

The Public Sector Needs to Invest in Procurement Skillsets

Even in the world's leading economy, public sector procurement has been undervalued, underfunded and under-skilled. The US-based Public Spend Forum recently stated:⁸ "The role of procurement in the government space is overlooked and thought of as a clerical role. But when you consider these individuals are responsible for purchasing goods and services that total \$2 trillion a year in government dollars, the importance of the role becomes much more obvious.

"Government procurement professionals are an essential part of a well-functioning government and affect the lives of citizens because they are working with taxpayer dollars. People who are in these roles support public policy from infrastructure improvements to ensuring national security. They are constantly looking for ways to save taxpayer dollars — something that benefits all Americans.

"So, it is important that people who fill these roles are fully trained and educated to make the best purchasing decisions."

PSF recommended seven competency areas that public authorities should focus on in The Public Procurement Workforce Competency Model and helps procurement leaders in public authorities to understand:

- Education and knowledge required by roles within an organization
- Understanding of how expectations change as professionals move through their career
- Developing job descriptions for open roles
- Developing professional evaluation and development opportunities
- Setting priorities for employee development
- Implementing professional development programs at a company and individual level

Centralize Purchasing Where and How It Makes Sense

In recent years many governments have looked to centralize their purchasing to get better buying power. For example, in 2014 the Irish Government set up a new central body, the Office for Government Procurement, to identify opportunities to make savings and improve customer service, thereby delivering better value not just to the individual departments and agencies, but ultimately to the Irish taxpayer.

⁸ <https://www.publicspendforum.net/blogs/psfeditorial/2019/05/10/procurement-acquisition-workforce-competencies/>

The nature of such centralization is largely dependent on the nature of the goods and services being purchased. Some of the spend categories, such as legal services and ICT, are required by all or most departments and can therefore be centralized on a national basis; others, such as medical equipment – which is only required by healthcare agencies – should be centralized on a sectoral basis.

In Italy the strategy is to leverage the experience and buying power of the larger structured public administrations (PAs) in ICT procurement and then cascade this to the hundreds of smaller unstructured bodies by three methods.

In the coming months, structured PAs will develop the innovative digital solutions they are investing in. These solutions will be placed on the “market”, based on the provisions of the re-use principle, and then made available to the other public administrations. Thus, three possible scenarios are opened, not necessarily alternative to each other:

- a. *Re-use as is already well defined by the digital administration regulations (CAD):* the solutions created by the structured PAs will be made available to all the others, which – in case there are adequate resources and capabilities – will be able to ask the world of support organizations to customize them according to their needs.
- b. *Software as a Service (SaaS) offer by the PA:* some PAs, for example the aggregators, will be able to assume the role of service centre and therefore – autonomously or through the support of private technological partners – adopt one or more solutions and put them at the service of the less structured PAs (mainly those pertaining to their own area of competence), thus relieving them of the burden of economic investment models based on consumption.
- c. *Private SaaS offer:* the solutions created by the PA, which according to the new guidelines on reuse must be licensed according to open source software, can also be offered as a service by private companies, who can thus reformulate their offer by focusing on services to consumption.⁹

Consolidate Spend Data

So long as spend data is scattered across a variety of transactional systems in various departments and agencies, the data needs to be consolidated into something meaningful and useful. The real challenge here is not a technical one (the technology to address this exists) but rather the fact that data is stored in different formats, definitions and set-ups, processes and charts of accounts coded at the detailed level. The challenge is therefore to map, consolidate and structure data across authorities and departments. This work will put you in a good position to report key metrics such as spend by category, which is of huge utility not just from a procurement perspective but also from a policy perspective.

For example, it provides the fundamental basis for asking questions such as, where is the money going? What is the split between local and non-local spend? How much of the spend goes to SMEs? Reports on such topics not only educate the administrative and political communities but also the market, by creating awareness of the opportunities that exist.

⁹ *Italia digitale: come evitare l'anno zero* p. 69

Such insight and improved knowledge of the market will enable public sector procurement organizations to help public bodies source the services and suppliers that best meet specific needs and policy goals with greater compliance and less risk.

A public body might know the exact cash amount that it spends with a particular supplier, but in many supply categories it does not have the granular detail. Getting to this information without impacting day-to-day operations in public sector bodies is no trivial matter but the potential benefits are enormous.

Ultimately the access to a supplier/spend solution would provide greater clarity not only for the government market development agencies, which would like to understand trends and the impact of various policy initiatives, but also for the private sector supplier companies themselves.

Transition to Digital Supplier Management and Contract Management

Digital supplier management should be at the heart of public sector procurement. In the public sector supplier management, put simply, is about optimizing what comes into a public body so that it can optimize what goes out in terms of value for taxpayer dollars, pounds or euros. It is at the very heart of procurement. It is increasingly strategic to public sector procurement, because:

1. Public sector organizations “do less” than they did in the past. That is to say, they do less themselves and outsource more to private sector contractors. The trend has been towards more streamlined operations, towards buy rather than build. This means that a public sector organization’s success and efficiency are highly dependent on the success and robustness of its supplier network;
2. As digitalization advances, public sector organizations need supplier data to drive other processes;
3. While some supply chains are getting longer and longer with the opening of new markets (e.g. the enlargement of the European Union, and free trade agreements that allow foreign companies to bid for tenders) there are also policy goals such as the need to source a given level of spend from local suppliers to meet certain policy goals. This adds complexity and risk;
4. Public sector organizations and their suppliers are required to comply with regulatory frameworks that are increasing in scope. Many of the regulations impact procurement directly or indirectly, and in the absence of effective supplier management, they will become increasingly onerous;
5. All other procurement processes now revolve around and feed into supplier management;
6. Organizations’ supplier ecosystems are increasingly diverse – different suppliers need a variety of approaches.

Supplier management includes the operational and transactional aspects of dealing with suppliers, but it also includes the ability to:

- Integrate suppliers into your partner ecosystem;
- Identify new suppliers;
- Assess supplier risk;
- Provide the data to drive sourcing and category management;
- Meet the needs of multiple departments and stakeholders that rely on procurement, e.g. logistics, quality management, HR, finance, auditors etc.;
- Comply with internal and external regulatory frameworks; and
- Help you make sensible decisions on supplier management.

Supplier management provides the visibility needed to identify synergies and better ways to do things that relies on individual category managers, who use siloed information in spreadsheets and databases, cannot.

Next, we need to look at contract management.

Contract management includes every aspect of both the value and the risk arising from the contract. It is much more than just managing the specific words and clauses on paper. In most government departments, contract management activity is spread throughout the organization, involving many different people in different roles. That makes it very difficult to manage by traditional manual means. Full management of the contract lifecycle involves many different parts of any organization – and it is not practical to train them all in contract management to the level that is needed. Therefore, contract management must be digital, and it must reside within the procurement function, because it sits precisely in the middle of the source-to-pay spectrum.

Until relatively recently contract management has been undervalued in the public sector. That is beginning to change. All the hard work that comes with a successful procurement project can quickly unravel with poor contract management. Contract managers have a pivotal role to play in nurturing supplier relationships to manage risk and identify opportunities to achieve the best possible supplier performance and outcomes for the organization.

In response to recent high-profile failures the UK government has been rolling out contract management training across central government. “The ongoing capability work has improved our ability to put excellent contracts in place, and we are working hard to ensure we have best-in-class contract management skills in place for all our contract managers,” said Gareth Rhys Williams, the UK Government Chief Commercial Officer in December 2018, reflecting on the Carillion collapse.¹⁰

¹⁰ [Civil Service World, 20 December 2018](#)

Implement a Dynamic Purchasing System

A Dynamic Purchasing System (DPS) is similar to an electronic framework agreement, with two exceptions, new suppliers can join at any time and it is to be run as a completely electronic process.

Dynamic Purchasing Systems are used exclusively by public sector organizations. They save time and money by being a quick and easy way to access goods, services and works through an OJEU compliant route.

Benefits of Implementing a DPS include:

- It enables the inclusion of new market entrants in any DPS arrangement (subject to satisfying qualification criteria) which can also offset instability of losing suppliers and increase competition. It also allows public authorities to open tenders to smaller local vendors who would otherwise miss out
- Suppliers can apply at any time once the DPS is enabled, plus if they don't match the selection criteria first time around then they can re-apply if unsuccessful (unlike a closed framework arrangement)
- It enables competition through suppliers bidding for opportunities, which can see the public sector organization benefiting from capacity within and across those eligible suppliers on the DPS
- It is a faster process than a full OJEU
- It is a streamlined procurement process for buyers and suppliers which may be helpful for new/smaller suppliers
- No lock-in. DPS solves the issue of how long each agreement should last. There are many cases today of public authorities using DPS to create agreements that last for decades. If at some point the DPS is no longer needed, it can be closed almost immediately
- The flexibility of DPS means public authorities no longer need to predict with 100% accuracy what services and goods they will need, at what point and for how long

“We are quite excited to be expanding our use of dynamic purchasing systems in addition to more traditional content management at a catalogue level that streamlines the process, provides not only self-service but also local autonomy whilst giving us compliant spend and significantly better management information, which can only drive better efficiency and value going forward.”

Jim Rawlings, Commercial Director at the United Kingdom Ministry of Justice

Implement Risk Management and Risk Mitigation Strategies

Consider the ramifications for your public administration, authority or trust. What would the impact be if:

- A critically important supplier declared bankruptcy;
- A strategic supplier, such as a data centre, was forced to shut down due to fire or flood;
- A natural disaster crippled transportation routes to and from the authority's district;
- An official working for you was prosecuted for procurement corruption; or
- A labour strike at one of your contractors halted the provision of social services.

Risk management is a continuous process and appropriate risk assessments should be undertaken, reviewed and managed throughout the procurement lifecycle. It is important to engage with the marketplace in terms of identifying the desired outcomes, risks and issues. This permits suppliers to provide feedback on how the outcomes might be achieved, the risks and issues as they see them, along with feedback on timescales, feasibility and affordability. It is also best practice to ensure that suppliers are contractually required to provide line item spend details as part of the contract support.

Risks and issues identified should be documented. All risks and issues should have clear mitigating actions, appropriate owners and a review date. Risks and issues may be fed into a central organizational risk register so that any overlap can be recognized.

Do Not Sell Digital Transformation Based on Cost Savings

A word of warning. Cost savings will undoubtedly come as a result of digital transformation of procurement, but it is unwise to sell the idea to decision makers based on an estimate of savings. Or at least be very conservative with the estimates. Sid Johnson, Commissioner, Georgia Department of Administrative Services, explained why: "Don't create unrealistic expectations, especially in terms of cost savings associated with procurement transformation. If you sell these transformations based solely on savings, the Legislature will look to sweep the savings. Then, if agencies lose funding, they'll become angry, you won't get buy-in from them anymore and they will undermine the changes."¹²

Introduce Relevant KPIs

Public sector procurement organizations must identify a range of metrics to demonstrate their overall value and effectiveness, capturing the relevant data and analyzing it through business intelligence with a view to improving performance. There are many approaches and considerations that can be taken into account here, but to cite just one, an OECD paper presented at the 10th Public Procurement Knowledge Exchange Platform in Istanbul in 2014 identified four main headings for public procurement KPIs:

¹² Quoted in *Government Procurement Transformation: How to Create a Practical Strategy for Success*, KPMG, 2017

1. Efficiency of the public procurement cycle

- 1.1. Use of contracting mechanisms
- 1.2. Uptake of e-procurement
- 1.3. Use of e-procurement per contracting mechanism or per low/high value procurements
- 1.4. Savings
- 1.5 Savings using framework agreements with second-stage competition
- 1.6. Efficiency of the public procurement unit
- 1.7. Level of unsuccessful public procurement processes
- 1.8. Reasons for unsuccessful public procurement processes
- 1.9. Public procurement award time

2. Openness and transparency of the public procurement cycle

- 2.1. Promoting competition: procurement procedure
- 2.2. Promoting competition: number of bids
- 2.3. Increasing the supplier base
- 2.4. Transparency of public procurement information

3. Professionalism of the public procurement workforce

- 3.1. Number of public procurement officials according to the value and number of contracts and unsuccessful processes
- 3.2. Level of trained public procurement officials

4. Contract performance management

- 4.1. Are suppliers delivering the right thing?
- 4.2. Are suppliers delivering at the right moment?
- 4.3. Are there delays in payment?
- 4.4. Are service levels and performance KPIs being adhered to?
- 4.5. Are structured performance improvement processes defined and monitored?
- 4.6. Are suppliers segmented and assessed for risk and contingency planning?



Innovation Takes Off at SEA Group: An Online Portal For a More Efficient and Transparent Bidding Process¹¹

SEA, which operates the airports of Milan Linate and Malpensa and is regulated by the rules on public procurement, has improved procurement processes with the help of a new cloud platform developed by JAGGAER. The benefits? “A faster and more immediate relationship with suppliers, enhanced functionality and guarantee of regulatory compliance,” explains Andrea Ghiselli, SEA Group Purchasing and Supply Chain Director.

On the one hand, compliance with Italy’s rules of public procurement (the *Codice degli Appalti*) on the other, the needs of the business that require continuous research into effectiveness and efficiency. These are the two parallel tracks along which the strategies and innovation of companies operating in regulated sectors develop, while strongly exposed to competitive forces not only nationally but also internationally. With the further complexity of mixed participation. “A sort of Yin and Yang that makes the purchasing process particularly complex and challenging,” explains Andrea Ghiselli, SEA Group Purchasing and Supply Chain Director. The city of Milan and the F2i investment fund are the shareholders in SEA, which had revenues of € 713 million in 2018.

“The business requires rapid and effective responses to competitive stimuli, while the articulation of the regulatory provisions

¹¹ This article originally appeared in Italian online at <https://www.digital4.biz/procurement/e-sourcing/gruppo-sea-portale-online-per-gare-appalti/>

present important limits and constraints that must be respected,” says Ghiselli, who, aside from his years at SEA, has long managerial experience gained with McKinsey and then in an important utility.

SEA, which has seen double-digit growth in traffic after passing the difficult dehubbing phase in recent years, is engaged in a challenging transformation plan. The evolution does not only concern physical but also digital infrastructures, with a very strong drive towards the dematerialization of processes on several open fronts.

In particular, a new e-procurement platform has been implemented to improve the interaction with suppliers during the tender, which will replace the current solution, enhancing reach and functionality. The SaaS platform is provided by JAGGAER, which already has numerous airport companies among its customers.

The new online platform facilitates dialogue with competing suppliers in all the phases envisaged by the *Codice degli Appalti*: from the invitation to the collection of the offer, up to the phase of identifying the potential contractor and communication with the contractor.

“It is a fundamental part of the purchasing process, the one that is most exposed externally,” Ghiselli points out, “but also strongly integrated with the way we work. We manage over 1500 suppliers, with tenders for amounts that constantly exceed the European Union public procurement thresholds.”

At SEA, purchasing is fully centralized. The procurement team is organized by the different purchase categories, with a highly varied field of

activity from stationery to the airport buses, from the construction of hangars to the revamping of the generation plants. “We are working on the new Linate and all the relevant contracts are managed with a tender. But we also buy turbines, refrigeration units, basic chemicals and much more, in a supply market that is increasingly international, consistent with the business in which we operate,” explains Ghiselli.

In May 2018 the first phase of the “New Linate” project was completed, which will deliver a completely renovated city airport to Milan in 2020. The new façade has been completed, and the arrivals area and the baggage claim area have been modernized.

Ghiselli’s team, consisting of about 40 people divided between the two airports, includes the category managers and a staff with technical and legal skills, which deals with the formal aspects of the process.

They are joined by a third team dedicated to logistics, composed of some 20 people, which deals with material management and order management, taking care of basic requirements, the logistics flows to and from the storage points, as well as warehouse operations. This is an activity that is evolving towards just in time, with an increasing penetration of electronic catalogue order management systems, envisaging a direct interface of the requester with the supplier (with respect to conditions negotiated upstream). In short, a model that, for some purchase categories, combines the governance of the purchasing process and spend with the advantages of “democratization” and simplification of the relationship with the supplier.



The Advantages of Selecting a Specialized Supplier

The selection of a cloud solution and a supplier with solid market references will allow SEA to reap several advantages.

“The portal allows us to have a faster and more immediate relationship with the supplier network, also facilitated by the specialized helpdesk provided by the vendor. We will have access to features that enable faster negotiation processes with more suppliers as well as more precise and articulated award criteria. Naturally, we also expect an economic benefit, even if this is not the decisive variable that has led us to choose this solution,” says Ghiselli, who adds: “Then there are the benefits related to

compliance with the *Codice degli Appalti*. We are immersed in a continually changing regulatory environment, and whenever the legislator changes a rule the portal used for the tenders must incorporate the change. The cloud platform ensures systematic updating. Then there is the advantage of cross fertilization: by sharing the experiences developed working with different contracting authorities allows JAGGAER to offer a more specific, advanced and powerful tool, much more scalable and simpler to manage and update.”

Furthermore, Ghiselli says: “The complete digitalization of the purchasing process is the only credible solution that allows the regulatory requirements of public procurement to align with business needs. The latter requires short response times, a wide reach and an increasingly collaborative and interactive approach.”

Scottish Councils Collaborating to Deliver Streamlined Process For Contract and Supplier Management

Collaborative projects across more than one authority can bring major benefits, as this case study shows.

South Ayrshire Council (SAC) and East Ayrshire Council (EAC) are two local authorities lying in the southwestern corner of Scotland. Each operates a centralized procurement function, responsible for supervising the strategic spend of up to £150 million annually on a wide range of goods, services and works, to deliver best value to the local community. SAC delivers services to a population of about 113,000 residents and employs about 6,000 people to make sure that is done well. East Ayrshire is a diverse area covering some 490 square miles with a population of 122,440 spread over both urban and rural communities. Both procurement functions aim to promote robust, compliant and transparent procurement processes in line with the objectives of Scottish Government, Scotland Excel, and Crown Commercial Service. They are equally committed to maximising value through procurement, not just by improving process efficiency, but by increasingly seeking out collaborative opportunities on contracts with other local authorities, to share knowledge and benchmark performance – an overarching strategic aim of Scottish Government.

The two councils adopted JAGGAER's contract lifecycle management software, a natural choice that complemented their use of (Public Contracts Scotland) PCS-Tender. In doing so, they not only gained visibility, tracking, negotiation and compliance benefits, but discovered a collaborative way of sharing knowledge and market intelligence to take their supplier value management to a superior level.

At East Ayrshire Council, Tommy Burns, Procurement Project Officer explained that "East Ayrshire Council previously had well established contract management processes and procedures in place, however these were also mainly manual processes which required allocated time and resources to administer. In terms of contract performance scorecards, we were using Survey Monkey to obtain feedback but the production of management reports such as scoreboards that compared supplier performance took a lot of effort to produce. Now, JAGGAER does that instantly.

"The contract tracking software also provides easy and flexible options to audit, track and report on any required contract data. This includes enabling easy data extraction for more in-depth analysis and improves business controls, like integration and accessibility for departments for optimised contract value and performance, faster workflow cycles and corporate governance adherence.

"For East Ayrshire Council, the system has completely transformed how we work, giving us a transparent and formalised online contract management database which allows on-demand, searchable access to all key contract data by contract administrators and managers,



other internal users/stakeholders and external collaborators (anytime, anywhere, any device). The automation has streamlined the Council’s contract management and supplier performance processes and as such we feel that this has increased our business efficiency and improved internal and third-party collaboration by reducing operating expenses.”

Lynsey Bennet, Procurement Officer (Contract and Supplier Management) at South Ayrshire Council said about the joint project, “Collaborating on this has been so beneficial, because we can compare different elements like

cost, quality, service, lead times, response times, etc, and where we have issues, we can determine what each other is experiencing and what each other is doing to remedy or change them. We can cross-check what performance looks like for another authority and talk about receiving the same service or results. So we are going into review meetings with accurate information, we can ask the right questions and make the right decisions to help the supplier develop. This is very valuable to us – an effective, ongoing way to secure value for the longer term.”



JAGGAER AND THE PUBLIC SECTOR

With more than 200 public sector customers worldwide, JAGGAER has a long history of working with the public sector in many countries and regions. JAGGAER has helped many municipalities, governments, public healthcare institutions and other organizations to create new efficiencies, ensure compliance and successfully fulfil their public charter of providing services in the most expeditious manner possible.

Its success in this sector rests partly on the generic benefits of the JAGGAER ONE platform but also on an approach that is tailored to the needs of the public sector and some specific benefits and USPs that are important in this vertical market, including:

Cyber security

The privacy and security of private data is an absolute priority in the public sector, and likewise for JAGGAER. The JAGGAER Trust Center is a security program that meets or exceeds all national and international best practices and customers' expectations. JAGGAER's commitment to the privacy and security of its customers' data, and that of private citizens, is demonstrated by numerous ISO certifications and standards, GDPR, SOC1 and SOC2, and international and national anti-bribery and corruption standards. These are extensively listed at www.jaggaer.com/trustcenter/.

Envelope management

The JAGGAER solution for the public sector is set up to meet the requirement for “envelope management”, still common in public sector bid practices, whereby bids are segmented into distinct envelopes that are opened and/or evaluated in sequence, such as the qualification, technical and commercial pricing aspects of the bid. This ensures that unqualified bids are eliminated and there is no unconscious bias (e.g. because of a significantly high or low pricing structure). JAGGAER can of course also accommodate public sector organizations that simply want to see the bids in their entirety.

Ability to respond quickly to changes in regulations

One of the major differences between public sector and private sector procurement is that the laws, regulations, guidelines and codes of best practice change frequently. Moreover, they vary at supranational (e.g. EU), national, regional and local levels. Major changes present significant risks. An eProcurement solution must not only take all of this into account but must be capable of rapid adjustment. In practice this means that it must be possible to change the source code quickly. JAGGAER is very adept at this. A good example is a JAGGAER project for the Italian public broadcaster, RAI. When a new public procurement code came into effect, forcing all of the RAI stations and other entities to digitize their procurement processes, JAGGAER implemented a system that eliminated the need to maintain thousands upon thousands of hard-copy documents (it was not atypical for tenders for business with RAI to attract 500 bids from SMEs). The new system, implemented within a few months, also interfaced to the Italian National Anti-Corruption Authority (ANAC).

Ease of use & user training

As noted above, even the best technology in the world will prove useless if the people it is designed to help do not use it. That is why JAGGAER puts especially strong emphasis on creating a positive user experience and making solutions as intuitive and easy to use as possible. At the same time, JAGGAER invests the necessary time and effort to user training and support, both directly and through partners experienced in public sector projects. In this way adoption rates are maximized, and off-the-books or maverick spend minimized.



Maximizing Revenue from State Assets

The Italian State Property Agency (Agenzia del Demanio) is the public body responsible for the management, rationalization and enhancement of the real estate assets of the Italian State, including agricultural lands. Some years ago, the agency adopted a customized platform to manage, in addition to purchases, the reallocation of agricultural lands through a direct auctions process. The aim of Agenzia del Demanio is to maximize the profit from the rental of public lands. The rental is awarded to the highest bidder in a competitive auction. Agenzia del Demanio has been using this procedure since 2015.

CONCLUSION

When asked, what are the essential characteristics that a platform for the management of purchasing processes must have, Gennaro Ranieri, Head of Purchases and Contracts at Sport e Salute (formerly *CONI Servizi*; CONI is the Italian National Olympic Committee) replied as follows:

“First of all, cyber security, which is a prerequisite for protecting the integrity and confidentiality of the data processed. A certified solution offers without doubt greater guarantees from this point of view. It is also important that the solution is modular, to manage the pre- and post-negotiation phases in an integrated manner. Furthermore, it must be flexible in order to adapt to the features offered to the frequent regulatory changes that public contractors must respect in purchases. Ease of use is also essential: to facilitate the transition to online management, the technological interface must be intuitive. The solution we are using offers all these features.”¹³

He added: “With adequate training for buyers, we have introduced e-procurement innovation and now no one could do without it.”

This pretty much sums up JAGGAER’S experience of the public sector. When choosing an eProcurement solution, a public sector authority needs to consider security, privacy, ease of use and above all the ability to develop products in time in line with changes to laws, regulations, guidelines and codes of best practice.

The public sector faces challenges and constraints like no other in procurement. But we have seen tremendous progress in recent years and will see much more in the near future. JAGGAER will be leading the charge, together with its partners and customers in public sector organizations around the world.

¹³ [Digital 4, 3 June 2016](#)

JAGGAER

Procurement Simplified

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