

SUMMIT LEADERSHIP IN PUBLIC PROCUREMENT
2007 SUMMIT AWARD

NOMINATION OF VANCOUVER ISLAND HEALTH AUTHORITY: PURCHASING SERVICES TEAM

NOMINATION FORM

Nomination Information

Public Sector Procurement Project: Strategic Procurement in a Public Sector Environment

Team Name: Purchasing Services **Team Leader:** Bill Speed

Organization: Vancouver Island Health Authority

Team Participants: June Curran, Simon Davies, Monica Eisele, Leah Hawboldt, Jana Ludwig, Arlene McInnis, Audrey Noel, Denise Rickards, Edith Spielman, Janice Taylor, Catherine Brooks, Mark Baker Ed Schauerte, Rex Williams, Rob Aylesworth, Leslie Woodruff, Peter Gonzo, Sandy Smith, Peter Allen, Racquel Taylor, Glenys Thompson, Tracy Veld, Jim Betker, Georgina Duval, Gregory Fiddick, Terri Efford, Laura Hansen, Shelley Harapnuk, Keith Rodway, Lee York, Jane Maxwell, Stacy Denton, Bill Speed, Derek Lorimer, Mary McKinstry

Category of Public Sector: Health Authority

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Certification

To the best of my knowledge, I certify that the information provided is accurate and true.

Signature  Martin Walters Date June 21, 2007

STRATEGIC PROCUREMENT IN A PUBLIC SERVICE ENVIRONMENT

PURPOSE

Purchasing Services within the Vancouver Island Health Authority is a very experienced team of procurement specialists that have been able to deliver an effective procurement service to the organization with a minimal investment of human resources. Regardless, with insatiable demand for Health Care Services and limited funds they set themselves a performance objective in 2002 to sustain and reduce the cost of goods consumed by the new organization without increasing the investment in procurement resources.

To achieve this objective Purchasing Services chose to focus on developing and initiating a more strategic approach to procurement.

DESCRIPTION

Incorporating Strategic Procurement techniques in a public procurement environment was seen a difficult but not impossible challenge, especially when resources must be constrained.

To leverage our existing investment in procurement services it was decided that moving away from the adversarial/transaction based procurement was a strategy that had the potential of increasing the flow of benefits into the organization. It was anticipated that the increased value would flow from:

- ◆ The effective management of strategic relationships: Recognizing the long-term dependencies between buyer and supplier.
- ◆ Reduced total relationship costs: Straightforward reduction of points-of-contact between the buyer and supplier, and more efficient use of buyer and supplier resources, helping to reduce the total cost of ownership.
- ◆ Optimized planning & Logistics: Further integration of suppliers into the supply chain to eliminate inventory, reduce lead times, optimize costs of doing business, improve forecasting.
- ◆ Optimized resource allocation: Deployment of resources where needed, just-on-time with the right skills and decision-making authority.
- ◆ Quality assurance: This benefit refers to the appropriateness of specifications, setting ground rules for quality audits, and linking demand and supply in terms of requirements.
- ◆ Joint process and product development: Provides an opportunity to capture supplier and buyer innovation capacity and enables ways of developing innovative products and services.

To accomplish this VIHA would need to identify opportunities where the procurement specialists were able to build strategic relationships with their vendors to create acquisition opportunities that would result in a win-win for VIHA and the vendor.

The key success factors to enable the achievement of strategic procurement requires the following critical success factors:

- ◆ Stakeholder should be identified early in the project.
- ◆ Senior Management support – Strategic procurement policies must be driven from the most senior levels of the organization.
- ◆ Senior Management must be fully engaged in the approval process.

- ◆ Resources with the right skills set should be selected to implement the process.
- ◆ Resources should be made available.
- ◆ Early successes are needed to generate momentum and build commitment.

OUTCOME

In the transition year 2003/04 we were able to increase the benefits flowing into the organization by \$800,000 (.9% of Total Commodity Spend). By the 2005/06 fiscal year we have increased this benefit to over \$3.0 million (2.8% of Total Commodity Spend).

The Healthcare Manufactures have ranked VIHA as the best organization in Canada in our ability to build and maintaining vendor relationships.

Given the strategic nature of our procurement negotiations we identified a need to enhance business transparency to ensure that the nature of these discussions was not creating the impression that these strategies would undermine the intent and rigor of public procurement.

An investment in Purchasing Services was required to support these activities, but it was not a direct result of the acquisition process. It was required to enhance the transparency both internally and externally mandated by our objective to address business opportunities strategically.

CONTRIBUTION

Although strategic procurement is not new, procurement specialists have debated and supported the vision that vendor consolidation and managing vendor relationships in more strategic ways has the potential for bringing incremental benefits to an organization. VIHA's ability to initiate these discussions in a public procurement environment has been innovative.

The project met and continues to grow benefits for the parties. Our first year efforts allowed us to consolidate 70% of our commodity spend under our top 25 vendors. Through our strategic procurement efforts we have raised our performance to allow us to capture 95% of our commodity spend under our top 25 vendors.

To accomplish this we needed to invest in the enhancement of our business practice to fully embrace the principle of business transparency in a public procurement environment.

The development of a strategic procurement strategy and the implementation of business processes that reflect this are challenging but our experience demonstrates that they are not insurmountable nor do they need to compromise public procurement principles to achieve these benefits. The business processes simply require due diligence on all parties, the processes need to be well defined, and as with any business relationship, the benefits are maximized through the management of these relationships.

Implementing a strategic procurement strategy simply moves the business partners away from an adversarial relationship associated with the transactional vendor/ purchaser relationship into a collaborative relationship. This may eliminate some of the challenges associated with "traditional" procurement and "a buyer beware" philosophy but introduces the challenges of relationship and team building as the element necessary in today's business world.



June 21, 2007

The Leadership in Public Procurement 2007 Summit Award
C/o Summit Magazine and The Canadian Public Procurement Council

By email: award@summitconnects.com

As the Vice-President of Operations & Support for the Vancouver Island Health Authority I wish to acknowledge the contribution that Purchasing Services has brought to our organization through their ambitious, innovative, and enlightened approach to meeting our procurement needs. Further I wish to confirm my support for their consideration for a Leadership in Public Procurement Award.

The Purchasing team has worked diligently in not only facilitating the benefits realized by our organization by building more robust business relationships with our vendors but has improved and enhanced our business transparency along the way.

The process was challenging and was not without its barriers. The Purchasing Services team dealt with these challenges and barriers creating a much more robust business process that could be replicated by other public service organizations that have a desire to move away from a more traditional and transaction business process base.

The practices developed and enacted by the Purchasing Services team are outstanding and deserve recognition by the procurement community.

Sincerely,

A handwritten signature in black ink, appearing to read "Joe Murphy", with a large, stylized flourish at the end.

Joe Murphy,
Vice President, Operations & Support Services,
Vancouver Island Health Authority