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Government Procurement Workshop – 13th July 2017

Working Group Notes

These notes have been drafted from the 'Round Table' presentations that we delivered from discussions that followed the lightning talks.

Disclaimer – these are notes only and the views of those attending the workshop (~100 participants from across Government and Private sector) on the day. Each table had a mixture of Government and Private sector participants – so mixed views. There is no context with these notes, they are for transparency and reference purposes only.

Thanks to those that participated in the discussions, those that summarised the notes and presented back, and to those that delivered the lightning talks.
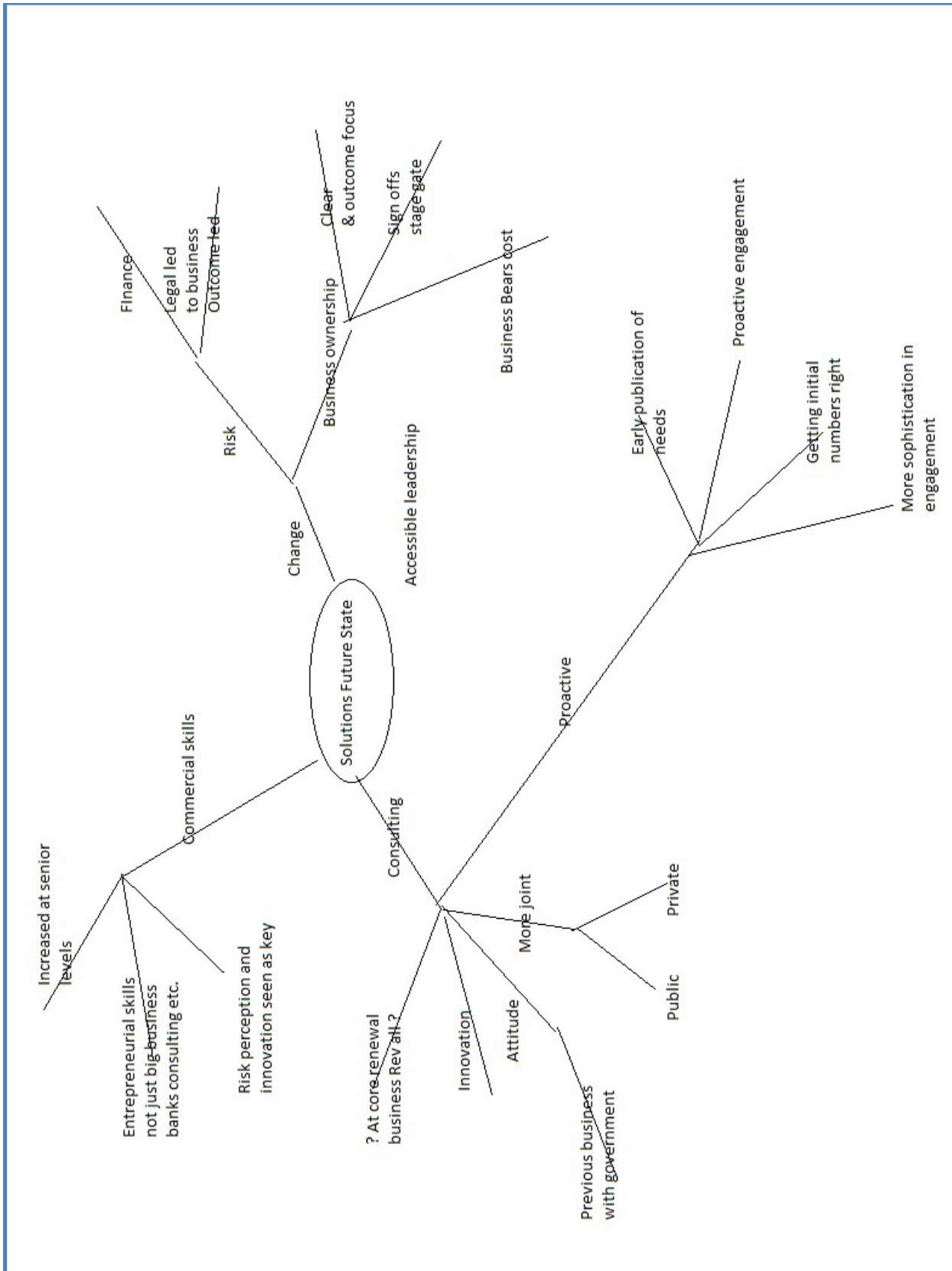
1 Adapt locally

1.1 Change the way in which Vendors and Government exchange information

- Move **from** Articles and Blogs which are Passive
  - **To** Open Days / Problem Fairs / Webinars that encourage active discussion
  - **Noting** though that both vendors and Government will be wary about sharing pain points (risk of potential media stories) so trust and confidentiality is required from both sides.

- Forums like today help get the discussion going
  - Government need to get the word out mote as several people only heard from their Procurement Team)

- Procure discovery, not solutions
- Get better at spending little money
- Leverage if you've done due diligence/ checks -> put them in a central place so they only get done once.
- Prioritise the "Cloud market place"
- Make annual Procurement Plans useable (currently confusing and not useful) (and if you can't give clarity, just be straight up)

1.2   Success is:

- Non-prescriptive road maps that allow for agility
- Quicker engagement
- More flexibility
- If you put out timeframes -> stick to them.
  - Otherwise the risk is unbalanced risk
  - Other option is don't have time frames

2 Economics 101 – focus on impact on market

A mind map with central node "Solutions Future State" and branches including:

- Change
  - Risk
    - Finance
    - Legal led to business
    - Outcome led
  - Business ownership
    - Clear & outcome focus
    - Sign offs stage-gate
    - Business Bears cost
- Accessible leadership
- Commercial skills
  - Increased at senior levels
  - Entrepreneurial skills not just big-business banks consulting etc.
  - Risk perception and innovation seen as key
- Consulting
  - ? At core renewal business Rev all ?
  - Innovation
  - Attitude
  - Previous business with government
  - More joint
  - Public
  - Private
- Proactive
  - Early publication of needs
  - Proactive engagement
  - Getting initial numbers right
  - More sophistication in engagement

3 Changes that could be made

3.1 Focus

- For Agencies:
    - Move **from** a focus on just the Agency when sourcing
    - **To** a focus on the value to NZ Inc. in the engagement

- For Vendors:
    - Engage better. In planning relationships, think about the level
        - Move **from** Tiers T 5 6 7
        - **To** Tiers 1 2 3 4
    - Take the conversation from a Tactical Solution to a Strategic outcomes

    - Understand Attitudes: When faced with
        - Risk adversity offer Risk mitigation
        - Failure offer Development lesson learned

    - Understand the role / impact of Government agencies expectations:
        - SSC
            - Leadership success
            - Profile
            - Stewards of system
            - Work with supply market
        - Treasury
            - 4 year planning
            - Investor competency framework
            - Significant service contract framework
        - DIA view
            - Executive teams lower risk appetite
            - Low funding
            - Low capability
            - Outsource strategy thinking

    - Understand also that the business/product owner has to run procurement!

3.2 Rules of procurement are simple

- Outcomes
- Fair/ transparent
- If you are to change the process in government there are tens of thousands of people that need to be reached
    - What works
    - Total cost of procurement?

3.3 Requirement to estimate the total economic cost

- Internal and external
- Jobs, tax, economic benefit measurement
- Less projects that big risks with non-functional requirements

3.4   Government business is simple?

- So how do we end up with complex systems?
- In government outsource the risk and accountability which is costly and exclusive
- Need an environment where risk is good. It sets up innovation

3.5   Flexibility in procurement rules

- Can we pull out examples from agencies
- How to incentivise through things
    - o   Not just thrown money and de-scope benefits frameworks
- How to get cross-agency funding for joined up government
    - o   Collaboration
    - o   More budget setting around functional leadership

3.6   Struggling to find examples of change of approach

- Exist in Social services & Education
    - o   But not in IT area
- Government needs more supplier feedback
- An example of where change is needed – eg: WorkSafe needing 5 hard copies of a tender response!

4 Opportunities for Procurement model

- Is it a procurement or an airtime issue?
    - How do local innovators get in front of government?
- Fail fast – how do we move quickly enough to reduce the cost and risk?
- Real value in implementers engaging with innovators
- Engagement between business and suppliers is where the blockage is – procurement is not necessarily a solution to that issue – other than dispelling myths that "it isn't possible".
- **How does the business growth agenda play here? Are CE's motivated to deliver on it?**

4.1 How do you capture good examples and circulate them across agencies?

- Is the ICT government profession where change resistance lies?
- Reward good behaviour – if that means failure, that's ok.
- G-Cloud works
- Examples of good practice vs paying for failure
- Sharing the budget

4.2 GovTech is unique opportunity

- New approaches are needed
    - Labs are still at a nibble stage
- What is the national goal?
- What is the compelling vision?
- Is Fragmentation
    - How to address?
- Would we know our competitive advantage?
- Outreach to local suppliers
- Commitment to push through support adoption
- Support procurement to take risks
- Coaches and mentors inside public sector
    - Secondment?
- Integrated digital vision to make lives better

5 Challenges with current Procurement Model

- Lack of flexibility/speed of change
  - Procurement process is big
  - Can only direct source under $100k. Value is too low given CPI increases?
  - Contracted timeframes are too long
- Context of services
  - Small engagement that get large
  - Why change procurement process mid-stream?
- Growing NZ Inc.
  - $$ going overseas
  - Tax going overseas
  - No NZ growth – no incentive to grow here for private sector
  - We understand projects on a per agency basis, and cost is a factor – but what is the damage to NZ Inc of many procurement decisions?
  - Focus for government agencies
    - Grow NZ versus save money
- Move away from big = less risk to be able to take a punt on smaller organisations
- Purchasers and suppliers don't want to take risks but wanting to grow means taking risk
  - How to arrange this approach?
  - As move deeper into digital – innovation a risk will increase
- How does / do current procurement practices foster innovation?
  - Go to market for a prescribed need but lose the ability to get innovative ways to meet the need
    - Go to market for a solution vs. open to ideas from the market
- Government funding on outcomes vs. agile / prototyping approaches?
  - Treasury looks to buy an outcome
  - Requires that a solution goes to a market – not an idea or an invitation for an idea
- Ministerial directive – spend $ wisely
- Not all procurement understand us
  - Reduces the appetite to take risks
  - Low level of ICT awareness in procuring agencies (& even ICT is being outsourced in these agencies) means that the appetite not there to take risks
  - Many contractors in decision making positions
- W2. Create a fund. Partnership.
  - Take governance out of the way and let people just do the work
- Agency constraints
  - GCIO
  - Public perception and safety
  - Media
  - Ministerial
   All leads to wanting to avoid risk, lots of hurdles before get to the supplier.
  - Any hints of a concern – clamps come down
- Agencies can do an agile approach
  - Ability and rules are there
  - But risk avoidance is still there
  - Unsolicited proposals could be a way to get around this
    - prototyping.
- Government procurement does different across agencies. Adds a complexity
  - Agencies do categorise needs (systems of record, systems of difference, systems of innovation)

- - Procurement rules interpreted differently by agencies
    - Can look at different risk profile for needs
- Better Business Cases negatively impact innovation.
  - Dominated by "Big 4" consultancies
  - Result in "Big" projects vs roadmap approach
- Forestry / Construction / Film
  - Government moves have seen growth and innovation here

6 Procurement Barriers:

- Shift in quality evident – not all bad
  - Eg: Rabid still tries for government where others don't
  - Eg: People would give Rabid money out of back of EOY budget
- Language – agile etc. not recognised
- Universally – mistranslation rampant
- Agencies expect wides scope of risk management etc.
- Not wanting to be critical of experimentation – R9
  - Experiment success hasn't occurred
- Band-Aid (excuse) for deeper system failures
- Incentives – not worth procurement attempt
- Systematic problems of procurement
  - shouldn't be looking for solutions at procurement stage
- Capability within government
  - low juniors are risk averse
- Paying you to deliver us the lessons not just the outcomes – buying capability

- Risk – no incentive to hire if work not guaranteed – knock on effect to skills pipeline
- Need – user centred design brief – user stories
- There is no way to fund joined up government
- Incumbency is so entrenched – if we didn't apply for tender, don't apply for RFD

6.1 People obstacles:

- Incentives
- Trust
- Language

6.2 Nature of procurement

- Requirements, solutions and outcomes are too rigid.
- Capability and experience of government officials writing tender creates very different outcomes
- Absence of dialogue limits iterating to a solution

6.3 Suggestions

- Be upfront
- Risk / cost/ opportunity – allow channel for RFP feedback
- Government critically needs new suppliers bringing ideas to the market
  - essential for a healthy commercial market

- Gateway
  - Post Procurement?
- Fast paced world – does RFP process add value?
- Look for biggest pain point
  - Fix that and then re-evaluate
- Innovative ideas like Machine learning not procured for because it is too new but could it work in Government?
- MVP / Agile methodology to work through ideas?

- Procurement Hack-a-Thon
  - Quick but still costs

6.4   Challenges

- How do we procure in innovation?
- Limited chance
- Too long winded
- No relationship – see no point
- Little pipelines vs only 'No!'
- Agile methodology / best practice vs. how can we fix price this?
  - It contradicts
  - Procurement teams see themselves as gatekeepers
  - Look for low cost – does this equal low value?
- Government have roadblocks in place
  - Budget
- Short tenders
  - Workshops
  - Presentations
  - Get to know on another
  - Talk about what they are going to achieve
  - Talk about past experiences
  - Discuss underlying needs
- Approval happens at stages

- Are people using the panel – Web Services Panel?
  - Invest $$ to respond but what is the value if not used?
- Does it need to be in-housed or could it be outsourced?
- Skills survey is a good start

6.5   What would work well?

- User-centred design brief
- Giving user stories
- Pre-project brief
- Assumptions – test them
- Risk Averse – everyone has opportunity to respond
- Roadmaps and smaller projects – not big bang

Groups focused on a Vision for Procurement in 2021 – these are the notes from different groups

7 Vision for 2021 - group notes

7.1 Procure discovery

- Continual and ongoing
- Iterative
- Agile – Buy small and well
- Measure engagement implements

7.2 Changed procurement behaviour

- Perception
- Baggage
- Understand flexibility and rules
- Measure benefits not just process

7.3 Matured local ecosystem

- Talk to partners and government
- Cooperate to get stories to export
- Tell people about experiences
- Stories

7.4 Funding

- Capex (easy) vs Opex (hard)
- Year-end use of funds
- Appetite is there but expectation?

8 Vision for 2021 – group notes

8.1 5 Years vision

- Government Digital Leadership Capability developed
- Sandpits – permission by default
- Open data strategy
- Champion high performance
- Exempla agencies will be focused on
    - Very early in the game
    - Culture implementation
    - Working to overcome cultural weaknesses

8.2 Definition of success is the tricky question

- Focus on NZ inc – not agency specific goods/ funding?
- Linked up NZ government
- By 2022 – have some good data to support what is happening in NZ procurement
    - Money going overseas vs local
    - Hearing anecdotal stories. What is the data?
    - So can understand the size of change needed

8.3 Success – Government ok to pay for lessons learned

- Need another word to replace 'failure'
    - Talk more of R&D less about 'fail fast'
- Like the "Buy discovery, Procure help" message from Ben
- Definition of success – healthy local market where locally trained people work locally and generate local and export $$$
- Bring intelligence to the procurement process – how does this support NZ Inc.
- Invest in the capability in NZ Government to understand ICT purchasing
- NZ organisations share and agree on language and messaging to respond to government
    - Little more collaboration along with the competition
    - Role of NZ Rise

9 Vision for 2021 – group notes

9.1 1A. Open panels

- Client internal policies adjusted so can use open panels
- Open panels
    - Register once, go thru checks once
    - Checks on delivery over time
    - Enables people to come and go from panel
    - Encourage established panel members to work with new businesses

    o   Encourage big and small suppliers to work together

9.2   1B. Supplier choice options

- Automation of procurement – document and rules
- Machine learning – algorithms of outcomes and compliance checks – unbiased selections

9.3   2. Workshops

- Early engagement
- Ability to demonstrate value
- Paid for discovery
    - If big 4 e.g. Ernst and Young etc. then use another partner for build per company.
- $2K per company workshop sessions with companies (1/2 day)
- 3. Feedback if you don't get the work

9.4   4. Knowledge Management

- Reputation
- Economy
- Rate outcomes
- Rate supplies
- Rate clients

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10   Vision for 2021 – group notes

10.1 3. Government – We want to get what we need without too huge of a cost

- Agility is brilliant but it can scare the government
- Need to go to a market for a partner. Government has a lack of commercial experience
  - then talk specific requirements with them
- Discussion on agile procurement processes and ongoing delivery being done in an agile way
- ICT procurement capability
  - They need skills and confidence for the government – otherwise the procurement process can be painstaking and meticulously ticking boxes
  - More of a joined up sector wide approach rather than siloed
- Government last 10 years lifting capability of people in the procurement sector
  - Challenge – IT capability in the government departments

10.2 Summary:

- Accessibility to right people – black box
- More ICT people coming over to the dark side – coming to government
- ICT procurement capacity – joined up sector wide approach rather than siloed
- Government – lack of commercial experience
- What business wants – meaningful feedback helpful
  - Honesty + Integrity
- Challenges of dealing with small firm – concerns regarding being 100% of their client base
- Need more planning. Less reactivity.
- Discussion of agile procurement and ongoing delivery in an agile way

11   Challenges reaching 2021 Vision

11.1 Government –

- We can give advice as to how to deal with different agencies.
- Accessibility to the right people
  - Black box idea
  - Dealing with the government is like dealing with a black box.
- Challenge to get on panel
  - Feeling that the same people/ business get chose
  - People still buy from people they know
- MBIE – Rule change coming to get agencies to be more fair
- If you are unsuccessful:
  - IT businesses would like meaningful feedback
  - To have open panels that you can come on to at any time, not just evert 3 years

11.2 Perception – selling to government

- Government- difficult to deal with

- Mixed requirements that come out
- IT – it can feel like you are trying to shut out competitors
- Government – needs to encourage small companies to partner together to help to win tenders
  - This makes government feel safer about them winning a tender when it's not 100% of their client work
- Liking Brooke's presentation
  - Lighter on documentation
  - Government and businesses can qualify themselves out faster