

# Maximize the Value of Your Sourcing Process

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# Agenda

- High Risk Contracts
- Customer / Supplier Relationships
- Impact of Competition
- Q & A

# High Risk Contracts

2.2-4303.01(A) defines high risk contracts:

**“High-risk contract”** – means any public contract with a state public body that is anticipated to either:

- i. Cost **>\$10M** over the initial term of the contract OR
- ii. Cost **> \$5M** over the initial term of the contract and meet one of the following criteria:
  1. The goods or services that is the subject of the contract is being procured by **2 or more state bodies**
  2. The anticipated **term** of the initial contract, excluding renewals, is greater than **5 years** OR
  3. The state public body procuring the goods or services has **not procured similar goods or services within the past 5 years.**

## High Risk Contracts

*For Executive Branch agencies:*

VITA and the agency's OAG must review a High Risk RFP before it is released

The same approval is also required before contract signature. The Commonwealth's CIO must approve.

# Communication

Share information with your suppliers

Establish mandatory meetings with the supplier

Drive accountability and monitor performance

Contract kickoff meeting

# Balance Commitment and Expectations

Gain the commitment of your suppliers to assist and support the business priorities

In turn, the supplier is expecting a certain level of commitment from your business

Earlier we spoke about communication. If your suppliers do not understand your business priorities, how can they meet them?

# Build Partnerships for the Long Term

Seek long-term relationships over short-term gains and marginal cost savings

The cost of switching suppliers

- Monetary
- Unintended consequences

Constantly switching suppliers will cost more money in the long run and will impact quality

# Understand your Supplier's Business

Suppliers are in business to be profitable

Suppliers have goals and strategies

Last minute deals

Market dynamics

# Negotiations

How do you prepare for negotiations?

What items can we focus on to prepare for negotiations?

Do you negotiate?

# Impact of Competition

# IT Contingent Labor (ITCL) Program

VITA statewide program for obtaining IT contractor and consulting resources

Outsourced to Computer Aid (CAI), our managed service provider (MSP)

VITA's largest services contract (\$96M in CY 2018)

As of 8/31/19:

- Spend-\$76M (\$65.7M Staff Aug./\$10.6M SOW)
- 709 hourly resources and 51 active SOW projects

# Obtaining value after the contract award

## Requires:

Communication – with customers and suppliers

Some research – know what you're buying

Understanding the current market dynamics

Competition – be willing to work to get the best price

# Why Compete?

We have responsibility to make smart buying decisions on behalf of our customers

Known fact: competition drives pricing down and value up

Market dynamics do change and affect pricing, delivery, discounts, etc.

Multiple price quotes validate the true marked price

# Why Compete?

Motivate suppliers to earn your business

To better manage working relationships with suppliers

More suppliers will bid if they believe they have opportunity to win COVA's business

Enables greater dialogue with suppliers about ways to address business problems

Makes you a smarter consumer!

# Which hourly rate would you rather pay?

<b>Job Category</b>	<b>Competitive Bill rate</b>	<b>Bill Rate when not Competed</b>
<b>Programmer</b>	<b>\$82.12</b>	<b>\$94.61</b>
<b>Project Manager</b>	<b>\$85.88</b>	<b>\$104.28</b>
<b>Systems Analyst</b>	<b>\$75.20</b>	<b>\$89.33</b>
<b>Database Administrator</b>	<b>\$80.99</b>	<b>\$84.62</b>
<b>ERP Database Administrator</b>	<b>\$97.62</b>	<b>\$99.00</b>



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