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IN DEPTH

14 Building better supplier relationships
How procurement agencies and suppliers can work together

22 Natural gas, energy prices and procurement
What’s really driving the price you pay for energy?

PERSPECTIVES

2 Procurement Ponderable: Just because you don’t consider it doesn’t mean it isn’t important

HOT TOPICS

4 Money Matters: Communicating the value: using rebates and surpluses to generate revenue

6 Professionalism: Achieving local government “buy in” of a complex purchasing method

8 Standards: NIGP Diversity Council - focusing on the future

10 Communication: Clear communication equals increased competition

12 Reform: Marks on mentoring

RESOURCES

28 New UPPCC certifi cants

30 NIGP anniversary dates

BACK PAGE

32 Darin Matthews: Driven to succeed
PROCUREMENT PONDERABLE

Just because you don’t consider it doesn’t mean it isn’t important

By Stephen B. Gordon

Kevin Beardsley, the director of procurement for Virginia Beach Public Schools, suggested: “Write about the need to train entry-level public procurement staff on how to determine whether a cooperative contract should be used to fulfill a requirement. If so, how can one determine which cooperative contract they should use?” That A+ suggestion connects to two daunting challenges in public procurement: accurately defining requirements and securing what truly is the best deal (as opposed to what appears to be the best deal).

Public procurement departments historically used cooperative contracts to fulfill requirements for simple, commodity-like requirements. The time and energy spent securing competitive bids for every set of commodities didn’t make sense when they could be ordered at a lower price through another entity’s existing contract. Beginning in the late twentieth century, with the explosion of the number of national public purchasing cooperatives, public entities now order a much broader variety of items through cooperative contracts – and not all of them are simple commodities.

There are many positives to cooperative contracts. The price savings can be noteworthy, and the time saved through more efficient use of staff resources can be used in other value-added ways. However, there are also some important questions public procurement officials must ask before employing a cooperative contracting strategy or selecting a particular contract. These questions include, but are not limited to: Are the items that could be ordered through cooperative contracts responsive to the needs of the end-user? Will the price to be paid on a cooperative contract result in a true cost savings for the entity, or are there other cost factors that should be evaluated first? Might there be adverse consequences associated with particular contracts, such as health effects, political blowback or poor quality?

The common practice of delegating authority to client department staff to procure items available through cooperative contracts increases the number of individuals who need to be able to decide competently whether a cooperative contract should be used and, if so, which one should be used. The pressures to simply place an order through the first contract they come across are strong and understandable.

The risks associated with making an ill-advised decision regarding cooperative contracts can be substantial – for the end-user, the client department, senior management and elected officials. It’s a good thing then that none of us in our personal lives has grabbed something cheap off the shelf at the discount store only to discover later that it didn’t really meet our requirements.

STEPHEN B. GORDON is director of the Graduate Certificate in Public Procurement and Contract Management program at Old Dominion University.
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COMMUNICATING THE VALUE – USING REBATES AND SURPLUSES TO GENERATE REVENUE

By Jonathan White

The last edition of this series covered three often overlooked ways procurement teams save money and make their organizations more efficient when recording value and savings. These included: the time and resources saved through bypassing or being more efficient in the Request for Proposal (RFP/ITB/RFQ) process; adding value by obtaining additional services at no cost to the organization; and catching and eliminating purchase orders for goods or services when the organization already has a surplus. This article covers four other ways in which procurement teams add value to their organizations which may not be immediately obvious and which should be credited to their savings and efficiencies record.

The procurement team need not only focus on ways to save money for their organization. Real income can also be generated by the procurement team which can be used by their organization in a variety of ways. Opportunities to generate revenue meet the dual tests for recording a savings. Was the procurement team involved? What would have happened in terms of cost had they not been involved?

FREE EDUCATION

When budget cuts occurred in the public sector over the last five years, some of the first things to go were the training, education and travel budgets. Many folks were no longer allowed to travel for continuing education purposes and even the nominal costs of web-based training were curtailed or eliminated entirely. In Multnomah County’s (Oregon) NIGP Forum presentation on “Communicating the Value of Procurement,” the presenters showed how they record the value of scholarships that their team has secured over the last few years. Some NIGP chapters provide scholarships for training and attending NIGP Forum for people who are chapter award recipients, serve in leadership positions or who volunteer to run chapter events and participate on committees. There are many free online training resources, including all webinars hosted by NIGP for members. If your organization has a training budget and is able to double the number of people who can get professional training through scholarships and reduced-cost training, then you might choose...
to record those savings as cash-releasing. If your organization’s training budget was $0 in the first place, then you would likely record all savings as non-cash-releasing because there was no cash to release.

**CHASING THAT PCARD REBATE**

The initial rationale for implementing purchasing card (pCard) programs typically falls into one of two categories: to make the organization more efficient and cut down on the processing of $12 invoices or to generate revenue for the organization in the form of a rebate. While most pCard programs were put in place for the efficiencies, you shouldn’t forget to record the revenue generated from the rebate programs. The procurement team often has the capability to influence how vendors are paid and can identify candidates for electronic/ghost card payments to increase the rebate. Since the rebate comes back in real dollars, it should be recorded as a cash-releasing savings.

**GOVERNMENT SURPLUS**

Both Multnomah County and the Washington State Department of Transportation record the value of their surplus sale programs as generated revenue and savings for their respective agencies because their procurement departments actually run those programs. If your organization’s procurement team manages the surplus sale program, this is clearly a cash-releasing savings because the surplus sale comes back to the organization as real dollars that can then be spent on additional goods and services. The sale of surplus may not be a major revenue generator for your organization, but it is probably one of the easiest to calculate and record.

**NEGOTIATING REVENUE**

There are many ways in which public procurement teams negotiate revenue for their organizations from contracted services. When cities outsource parking enforcement, they can receive a flat fee per ticket or tow or a percentage of the towing fees in exchange for city street towing rights. Many organizations own parking garages and outsource the management of those facilities to receive a percentage of parking revenue. Schools and universities negotiate with suppliers for advertising and ‘pouring’ rights at their stadiums and facilities. State agencies and other organizations that own cooperative contracts often receive rebates from the contracted supplier as payment for the implementation and management of those contracts. Not all of the negotiated revenue examples will apply to every organization, but when recording the value of procurement, it is worth thinking through all of the contracts and services that result in some revenue generation for the organization. If the procurement team was involved in those contracts, it is pretty straightforward to calculate the value of those revenues and record them.

**MORE EASILY DEFENSIBLE THAN OTHER SAVINGS**

It’s worth deciding the threshold over which you will record the revenue and how often, but recording actual revenue is easier to do and defend than recording the value of additional services received at no additional cost. For the examples above, recording the revenue generated on a quarterly basis would be sufficient for most organizations. The time necessary to record the pCard rebate figure, the sale of surplus total and the revenue generated from the outsourced parking enforcement contract should be relatively straightforward and readily defensible if you are ever challenged on your figures.

**MORE GUIDANCE ON GETTING STARTED RECORDING SAVINGS AND EFFICIENCIES**

The next few articles in this series will explore more ways that procurement teams add value to their organizations that can be measured and recorded, including the impact of payment terms, environmental benefits, changes to the specification or product purchased, cost analysis and the reduction of risk in the procurement process. In the meantime, if you aren’t already recording the value that your procurement team contributes to your organization, you can get started with a free measure user license through the link below:

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**JONATHAN WHITE, Director, Business Development (Americas), Spikes Cavell – Xchanging Procurement, USA: 151 Spring Street, Herndon, VA 20170, Tel: 1-800-990-0228, UK: 1 Northbrook Place, Newbury, Berkshire, RG14 1DQ, Tel +44 1635 556970**
ACHIEVING LOCAL GOVERNMENT “BUY IN” OF A COMPLEX PURCHASING METHOD

By Gregory K. Spearman

Why does a Local Unit of Government (LUG) or its governing board focus solely on one aspect of a Request for Proposal (RFP) award, particularly cost? Many governing boards lack an understanding of procurement methodologies and their applications. To be fair, LUGs or their governing boards are not typically involved in the day-to-day operation of procurement, so they would not necessarily gain the detailed knowledge of each procurement practice, when it should be used, its merits and its potential shortcomings. Thus, LUG boards may struggle to award contracts to the companies recommended by virtue of the RFP process because they do not appreciate that, by definition, an RFP process is not utilized to identify best price so much as it is to derive best value.

Of course, there may be inherent danger in providing governing authorities with “too much information” about the purchasing process because the last thing procurement wants is a board that is “too involved” in the purchasing process. However, a well-informed board can play an important role in approving bids from vendors recommended by the RFP process. Failing to utilize opportunities to educate governing boards on the mechanics of the RFP process can be a barrier to success.

A simple way to help LUGs understand the RFP process is to compare it to hiring a new employee. Most everyone has had the experience of recruiting for a job vacancy or has hired someone. Almost everyone has had the experience of recruiting for a job vacancy or has hired someone.

When recruiting a new employee, the process begins by developing a job description that outlines the duties, skills, responsibilities, education, training, experience and references required for the job. This mirrors the scope of requirements contained in an RFP process. Once the job description is finalized, the job vacancy is published. This equates to the legal notice posted for the RFP process. A job posting contains a specific deadline for interested parties to submit applications. If no applications meet the position requirements, the application deadline may need to be extended. Likewise, a deadline for receipt of proposals is included in the RFP process, and it may be necessary to issue an addendum that extends the proposal deadline. In both instances, once the deadline is closed, no other applications can be received.

After all of the job applications have been received, they are reviewed to determine the number of
qualified applications. In the RFP process, all received proposals are initially reviewed by procurement professionals to determine compliance with proposal requirements. As with submitted job applications, any RFP which does not meet the minimum requirements is set aside from further consideration.

In the case of hiring an employee, qualified job applications are submitted to the department manager for a review. The manager then selects the top three to five applications received from the pool of qualified applicants. Likewise, the RFP Evaluation Committee reviews all qualified RFP submittals and scores and ranks them to identify the top three to five proposals.

When hiring a new employee, the organization schedules separate interviews with the top applicants. These interviews are often conducted by a committee. These interviews may change their rankings. In the RFP process, the evaluation committee conducts interviews with the top three to five selected firms. In similar fashion, the committee’s ranking of the firms may change. Through oral presentations, the evaluation committee learns how well each firm understands the scope of a given project and determines if they possess the requisite knowledge, skills and resources to successfully accomplish the project.

Finally, the next step in the hiring process is to negotiate salary and a start date with the top-ranked job applicant. Similarly, during the RFP process, the evaluation committee would initiate the negotiations process on price and other contract terms with the top-ranked proposer.

Both processes: (1) are lengthy, (2) require a defined set of requirements, (3) do not always result in the lowest cost, (4) are performed by committee and (5) yield the best end result in the vast majority of instances. In either case, the final selection is not based on one factor such as price but on a collective set of criteria. Using this simple comparison should be helpful in improving the understanding of the RFP process for decision makers at the legislative level of government.

The recommendations taken before those LUGs and governing boards for approval have a higher probability of being understood, embraced and accepted by the administrative and legislative branches of the entity. Take the time to educate them. It will make a difference.

GREGORY K. SPEARMAN, CPPO, FCCM
Director, City of Tampa Purchasing Department

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Similarities between the RFP Process and the Recruiting Process for a Job Vacancy

<table>
<thead>
<tr>
<th>Common Activity</th>
<th>Job Vacancy Recruiting Process</th>
<th>RFP Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Define Requirements</td>
<td>Begins with a Job Description</td>
<td>Begins with a Scope of Services</td>
</tr>
<tr>
<td>Advertise Opportunity</td>
<td>Publication of Job Announcement</td>
<td>RFP Legal Notice/Advertisement</td>
</tr>
<tr>
<td>Identify Due Date</td>
<td>Application Deadline</td>
<td>RFP Proposal Deadline</td>
</tr>
<tr>
<td>Identify Extended Due Date</td>
<td>Application Deadline Extension</td>
<td>RFP Deadline Extension (via addendum)</td>
</tr>
<tr>
<td>Discontinue Submission Acceptance</td>
<td>Job Application Deadline Closed. Applications Received.</td>
<td>RFP Process Closed. RFP Responses Received.</td>
</tr>
<tr>
<td>Assess Submittal Against</td>
<td>HR Reviews to Determine Qualified Applicants</td>
<td>Purchasing Conducts RFP Responsiveness Review</td>
</tr>
<tr>
<td>Requirements</td>
<td>Qualified Applicants Sent to Department</td>
<td>Qualified Proposals sent to Evaluation Committee (EC)</td>
</tr>
<tr>
<td>Evaluate Qualified Submittals</td>
<td>Department Shortlists Applicants from Qualified Applicant Pool</td>
<td>EC Shortlists Proposals from Most Qualified Proposer Pool</td>
</tr>
<tr>
<td>Identify Shortlist</td>
<td>Applicant Shortlist Ranked</td>
<td>Proposals Scored and Ranked</td>
</tr>
<tr>
<td>Interview Shortlisted Submitters</td>
<td>Department Conducts Interviews</td>
<td>EC Conducts Proposer Interviews</td>
</tr>
<tr>
<td>Re-rank</td>
<td>Applicants May Be Re-ranked</td>
<td>EC May Rescore and Re-rank Shortlisted Proposers</td>
</tr>
<tr>
<td>Negotiate with Top Ranked</td>
<td>Negotiations Initiated with Top Ranked Applicant</td>
<td>Negotiations Begins with Top Ranked Proposer</td>
</tr>
<tr>
<td>Submitter</td>
<td>Offer Finalized</td>
<td>Contract Negotiated</td>
</tr>
<tr>
<td>Finalize Contract</td>
<td>HR Background Check on Top Candidate</td>
<td>Verification of Supplier Responsibility</td>
</tr>
</tbody>
</table>

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Diversity matters have become increasingly prominent within the public procurement arena, but the main focus remains the same. Public procurement’s inclusion of companies in the vendor community owned by historically under-represented groups provides equally competitive opportunities while creating a supplier base that truly reflects vendor community demographics, which enables a solution for documented disparity when appropriate. While a noble cause started for all of the right reasons, equalization of the playing field has become progressively more dubious, due mainly to hyper-legislation and inadequate methodologies of measuring disparity.

Disparity measurement is increasingly focused on a subjective method of measuring total spend within the total annual service and commodities expended, but this can be oversimplified to only satisfy set criteria and quotas for reporting to elected officials. The formula for measurement to see how an agency is doing is daunting and subject to manipulation for favorability in reporting numbers. The typically accepted and sound measurement formula is to define the availability of “certified” disadvantaged vendor groups within four basic expense categories, which are commodities, non-professional services, professional services and construction. Then divide the total spend among these groups within each expense category by the total annual spend in that category supplemented by anecdotal data. The formula is followed within annual prime contracting and sub-contracting awards.

Government agencies are far too happy to report meeting these categorized numbers even when this methodology reveals disparity within a given disadvantaged vendor group. Subjectivity arises from too much latitude being given to the awarding authority to arbitrarily decide the capacity of members of the small and disadvantaged vendors. This methodology is probably still the best way to measure where the agency is in the goal of inclusion and fair competition, but problems exist that must be addressed.

The certification process is usually cumbersome and lengthy, and it requires a continuous and equally cumbersome annual renewal process. Redressing manipulation of the certification process requires verification policies that are rarely enforceable and offer little deterrence to the company manipulating the system.

The almost complete lack of reciprocity among local and state agencies makes the process even more cumbersome requiring an applicant to reapply to be certified over and over again.

The measurement methodology and legislated disadvantaged programs that are focused on sub-
contracting opportunities automatically assume disadvantaged businesses can’t perform as prime contractors. These programs frequently cite required experience, which changes contract availability and the true measurement for disparity. Meanwhile, long-time prime contractors are offered shared risk and the chance to fail and to resolve failure by changing partners with their capacity rarely questioned.

Long-time prime contractors form repetitive sub-contracting partnerships with a few “certified” disadvantaged vendors only to meet contractual participation mandates.

Prime contractors bid-shop their sub-contracting in order to meet the criteria numbers while maximizing their own profit and maintaining their favored sub-contractor relationships.

Hyper-legislation borne out of citizen complaints does little to help equalize the competitive playing field, and many times, it is actually not legally defensible. Legal precedence in American courts calls for race- and gender-neutral programs. City of Richmond v. J.A. Croson Co., 488 U.S. 469 (1989) and Adarand Constructors, Inc. v. Peña, 515 U.S. 200 (1995), both landmark U.S. Supreme Court decisions, address the hyper-legislation issue, yet many programs around the country still operate as Minority/Women Business Enterprise (M/WBE) programs instead of as small, disadvantaged (race- and gender-neutral) programs.

The focus should be the adoption of uniform standards based on what the Supreme Court has established as law, which is a race- and gender-neutral small business program. These standards could be supplemented by periodic measurement for disparity across all public procurement commodities and service categories at least every three years. Study results revealing documented disparity would then allow the issues to be addressed through expansion of the agency’s small business program to help balance the playing field. If the NIGP Diversity Council focuses on establishing model standards based on legal precedent for the measurement of disparity, then that makes the cures for documented disparity legally defensible.

Standards should provide sound methodologies for measuring disparity and also promote vendor training for small, disadvantaged businesses. This training would be about how to do business with the local government and would include methods of how to best partner with others in the vendor community and local government. The local government agency already listens to the long established prime contractors and readily makes changes to suit, but the local government agency also needs to listen to and assess requests to unbundle projects and afford shared risk to small, disadvantaged businesses in the same fashion.

Embracing diversity in all facets of the public procurement arena and practicing purposeful inclusion are ethically and morally correct. My favorite quote from Dr. King’s “Letter from a Birmingham Jail” is, “Injustice anywhere is a threat to justice everywhere.”

The council is also in a unique position to argue for statewide reciprocity standards for certification. This would allow for a one-stop shop across the given state of origin for small, disadvantaged businesses. This standard should also have a simplified renewal process, and ideally, it would also have the authority to hold fraudulent applicants accountable through debarment or prosecution for falsifying government documents. The question becomes: has the American Bar Association broached the topic of enforcement in this area?

We have templates, models and standards for virtually every part of the procurement process thanks to NIGP. Why not support the adoption of standards for ethical, legally defensible programming for small, disadvantaged businesses?

Everybody wins. The local government agency is equipped to promote fairness and inclusion, and in the process, it expands its vendor base to truly reflect current vendor community demographics. Small, disadvantaged businesses get the satisfaction of being provided with a fair opportunity to compete and win with a reduction of the proverbial red tape, and NIGP would be rightfully credited with setting the standard once again through the proactivity of its diversity council.

JOE BENJAMIN is the purchasing manager for Plant City, Fla.
ew procurement officers and supplier representatives will recall the days when competitive solicitation notifications were conducted by issuing complete solicitation packages to suppliers. It was a common practice for at least a decade. To reduce costs and increase competition, procurement officers continually focus on various process improvements. A couple past examples include: the elimination of the requirement for “no bid” responses (via paper and mail) by suppliers and the movement towards issuing solicitation notification letters that described the procurement and how a supplier could obtain a copy of the particular solicitation.

Today, with the increased availability and capabilities of technology, greater communication efficiencies and methods can be realized by procurement organizations. However, successful electronic communications now require a different focus and amount of diligence in the selection of effectively descriptive words to ensure the targeted message is adequately heard. Google Search Statistics states, “That when Google was founded in September 1998, it was serving ten thousand search queries per day...Today, there are over 40,000 search queries every second on average, which translates to over 3.5 billion searches per day and 1.2 trillion searches per year worldwide.”

Why is this information important for public procurement processes and procurement officers? Our profession continues to increase its use of technology for notifications of potential solicitation opportunities by “pushing” notices to suppliers, posting notices on websites, or by businesses providing a service of "opportunity crawling”. It does so to gain solicitation opportunity information and provide a consolidated repository of solicitation opportunities for a large pool of suppliers. Because of this, the descriptors chosen by procurement officers for solicitation titles are key for enhanced competition. Suppliers have a strong desire to be aware of opportunities; however, to ensure our procurement isn’t passed over, the title and description (usually now in less than six words) must accurately and succinctly describe the procurement to limit the required research time on the part of the suppliers. Consider a need to procure consulting services for a traffic volume and crash analysis, a well project, energy management or a nutrition program analysis. A general description or title of “consulting services” provides little direct, targeted information to identify the specific type of consulting services. This targeted, descriptive information becomes even more important when reminded of the number of searches conducted and the vast number of solicitations issued around the world on a daily basis.

We must remember as we push to process the next procurement that clear communication limits the number of questions and potential protests – beginning with the title and descriptions of procurement opportunities. By focusing additional attention on clear, succinct solicitation descriptors we more effectively carry out our professional commitment to competitive practices that support the greater success of our public entities.

JEAN CLARK, FNIGP, CPPO, C.P.M, CPPB, CPM
Director, Procurement Transformation Services
Periscope Holdings, Inc.
Former Arizona State Procurement Director and NIGP President
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A minor character named Mentor from The Odyssey became the symbol for asking for help because of his relationship with Telemachus. The personal name Mentor has been adopted in English to mean someone who imparts wisdom to a less experienced colleague.

At any level, asking for help makes perfect sense if you need it. Find a more experienced colleague and get their input. School districts can help new buyers learn about a commodity or service by participating in cooperative procurement. Public bodies can help solve common problems and collaborate with new ideas.

Our organizations are not exempt from taking this approach. If one chapter does something faster or easier, ask how. Being a professional involves sharing policies and procedures that help other organizations. Loan out the best members of your team to offer help. You’ll earn a good reputation as a helpful group that is the best in your particular business, and they will benefit from your experience.

The Virginia Association of Governmental Purchasing (VAGP) has a mentoring program designed to encourage future leaders of the organization to learn about VAGP’s history and how the organization works by attending meetings. After a year or so, the mentees get a certificate and are qualified to run for office. I’d love to see the national organization and individual chapters adopt a similar program.

VAGP’s program is a good one, but I would like to see them add intensive training in “Robert’s Rules of Order.” I’ve been in too many meetings where the head makes up their own version. Robert’s Rules hold meetings together. Without them, chaos ensues.

The rules have a website which suggests that a board appoint a parliamentarian whose sole job is to keep the meeting on schedule. The Roberts website suggests: “Resolved, that the rules contained in the current edition of ’Robert’s Rules of Order Newly Revised’ shall govern this meeting in all cases to which they are applicable and in which they are not inconsistent with any special rules of order the meeting may adopt.”

Allow me to offer an example of why this sort of professional development and set of standards are important. I was at a meeting of the National Education Committee some years ago when a motion to table was made and passed. A motion to table is never out of order, and it means that the subject matter is postponed or suspended. The individual running the meeting kept on discussing it and wasting valuable time that could have been spent on other topics. Under a point of order, which is raised when a breach of the rules is apparent, she allowed discussion to continue. Under questioning, she said she thought “tabling a motion” meant the motion was put on the table for discussion.

At that time, dear readers, I heard Henry Martyn Robert slowly turn in his grave and weep a bitter tear.

FREDERICK MARKS, CPPO, VCO, is a retired purchasing officer who has held positions as a supervising buyer for the Port Authority of New York and New Jersey as well as director of material management for Northern Virginia Community College. Contact Marks at fmarks@mindspring.com.
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The object is simplicity.
Building Better Supplier Relationships

Supplier relationship management (SRM) refers to procurement agencies making strategic efforts to build and sustain mutually beneficial relationships with suppliers during every step of the procurement process. However, the rules and regulations of procurement have traditionally limited the amount of communication allowed between agencies and suppliers, and they have done so for a good reason. Keith Glatz, purchasing and contracts manager for Tamarac, Fla. says, “The perception of a government agency becoming too close with a supplier where it perhaps becomes more than a partnership is very dangerous for a government agency. We want them to understand and to partner with us, but we can’t have a relationship that is too close, or we put ourselves in a conflict of interest and gain a negative perception by the public.”

Maintaining fair competition and avoiding favoritism are crucial for ensuring public trust but so is delivering the best value possible through the solicitation process. As procurement agencies encounter increased demands to please the public with fewer human resources, they are finding out that they need closer collaboration and more open interaction with their supplier communities in order to provide that value. Nathan Mosley, the procurement services coordinator for the Portland Development Commission (PDC) in Oregon, says, “It’s important for agencies and suppliers to understand that the ultimate goal is to establish positive work relationships that are not just short-term but for long-term outcomes. To recognize it’s not just about obtaining a quick buck here and there but about long-term finances through relationships that are built.”

SRM’s goal is to reform the procurement process by highlighting the benefits of these relationships for both parties and to create consistent and transparent methods for engaging all suppliers fairly.

The NIGP Business Council, which has performed extensive research on the subject, has identified the three stages of SRM as non-contract interaction, bid interaction and contract management.

How procurement agencies and suppliers can work together

By Elijah Black

This is the first of two articles focusing on the topic of supplier relationships. The first article offers perspectives from practitioners and suppliers based on interviews. The second article will focus on a soon-to-be-published white paper from the NIGP Business Council. The white paper will be available early this summer.
“Maintaining fair competition and avoiding favoritism are crucial for ensuring public trust but so is delivering the best value possible.”
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IN DEPTH [communication]

NON-CONTRACT INTERACTION

Even before contracts are going out for bid or specifications are being drafted, procurement agencies are reaching out to their supplier community. But why is it important to do so even when a procurement agency is not engaged in an active solicitation?

Pre-bid interaction is one way to let contractors know what jobs your agency has coming up. That way, agencies can gauge contractors’ interest and build relationships earlier in the process, Mosley says. Listening to your suppliers is also important. Glatz suggests other agencies follow his city’s practice by issuing an annual survey to their supplier communities. “You find out the answers to some other questions when you find out what their perception of you is. How do you like dealing with us compared to others? How do we pay compared to others?” By questioning suppliers about issues that are important to them, Tamarac is fostering a sense of caring and responsibility for their supplier community.

Rey Palma, procurement services manager of the Georgia Building Authority (GBA), emphasizes the importance of pre-bid conferences. He says, “The using department has their idea of what they’re going to get... Many times going through the pre-bid process, we’re learning what the department can [actually] get and how to approach and package this.”

Sheila Schnellenberger, chairwoman of the NIGP Business Council and regional vice president of government sales for Atlanta-based HD Supply Facilities Maintenance, suggests gathering and exchanging information prior to contract interaction through methods such as a Request for Information (RFI) or a reverse trade show. “For those agencies that seek out that information in advance…they’re helping move into the future by educating themselves in advance on industry trends and where things are moving. That is effective collaboration that helps the agency craft what they want in the end and for the life of the contract.” However, she notes, it is important for agencies to establish clear objectives prior to these meetings to ensure the information they receive is valuable and relevant to their desired outcomes.

Schnellenberger recounts an occurrence with an agency which underwent a successful pre-bid interaction with her company. The agency wanted to consolidate its maintenance, repair and operating materials (MRO) spend for 50-plus locations, and it wanted to transfer purchasing activity to individual locations. It started by investigating compliant cooperative contracts. Through their investigation, they found HD Supply Facilities Maintenance, which has a cooperative agreement through U.S. Communities. The agency reached out to the company to communicate their needs for transparency, oversight and efficiency and to inquire about their capabilities.

Schnellenberger’s company responded with the possible solution of a fully integrated, customized e-procurement system that would include performance metrics and supply forecasting. This offering met the agency’s needs. The agency selected the proposal from HD Supply Facilities Maintenance as one of two cooperative contracts to use. Schnellenberger explains, “Electronic purchasing streamlines their process and is saving them money, but without that collaboration, they could’ve designed some kind of solution that didn’t work for anybody in that commercial space, or one that created the need for additional complicated programming and cost. It was great that there was this collaboration upfront before any kind of investment was made, without knowing whether or not it was going to work. It is a commercially available solution that most suppliers and agencies can accommodate, which also preserves competition.”

BID INTERACTION

The bidding process involves the selection of a contract and requires established standards for evaluation to be successful. While Schnellenberger offered a success story that was the result of pre-bid interaction, Palma notes the opposite. He says that he has seen the bidding process become drawn out when agencies have not held pre-bid conferences. Those agencies are forced to add numerous addendums to their solicitation packages as they learn what suppliers are actually able to provide he says.

However, if it’s already time to submit a solicitation but your agency is not as familiar with its supplier community as it would like, there’s no need to worry. An organization can come up with an informative quality statement by performing a thorough self-assessment, according to Glatz. This statement, which should be included in all solicitation

Supplier Relationship Management Steps*

<table>
<thead>
<tr>
<th>Non-Contract Interaction</th>
<th>Bid Interaction</th>
<th>Contract Management</th>
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<tr>
<td>Requests for Information</td>
<td>Alternative Requests for Proposal</td>
<td>End-user surveys</td>
</tr>
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<td>Pre-bid conferences</td>
<td>Quality statements in solicitation documents</td>
<td>Performance metrics</td>
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<tr>
<td>Reverse tradeshows</td>
<td>Uniform look and feel for solicitation documents</td>
<td>Quarterly business reviews</td>
</tr>
<tr>
<td>Supplier surveys</td>
<td>DBE Inclusion Language</td>
<td>Contractor workload sharing</td>
</tr>
</tbody>
</table>

*The NIGP Business Council helped with the development of this chart.
documents, helps share an agency’s mission with its suppliers and to remind those companies that the agency is acting as a steward of the public trust. “We value vision, integrity, quality and public service. We feel that our vendors are truly partners in meeting these commitments…and we let them know upfront that all our vendors are expected to deliver high quality products and efficient services.”

Mosley recalls the bidding process for a recent pilot project for Dawson Park, a park in North Portland operated by Portland Parks & Recreation. The PDC partnered with Portland Parks & Recreation to use an alternative contracting method with a guaranteed maximum price for the public project. “Normally, we do low-bid solicitation. Low price usually wins out. In this case, we used a Request for Proposal [RFP], where price is only one of the criteria. We looked for experience, previous work [and] projects that they’d done in the past. It involved more detailed requirements.

There were tons of historically large trees with roots that, if disturbed, could kill those trees. We had to hire a firm that understood this with an arborist on their team.” In the end, Mosley says, “The firm did a really good job. The park opened on time with everyone being happy.” By crafting a solicitation document with specific quality expectations and experience requirements, the PDC ensured that the park repairs and improvements would be performed satisfactorily.

**CONTRACT MANAGEMENT**

Contract management is the practice of monitoring and maintaining a contract for continued success. As Schnellenberger works for a supplier, she holds quarterly business reviews with procurement agencies during which her company provides performance metrics. “You can make sure you’re getting the results you expected when you entered into the contract by establishing data points or criteria for periodic review.”

**Supplier Development Steps**

1. Assess certified business’s strengths and weaknesses.
2. Provide customized education, training and resources.
3. Partner certified business with a corporate mentor in the same or a similar industry.
4. Facilitate relationships with larger contracting firms and internal staff members.
5. Provide contracting opportunities for certified businesses by implementing DBE language in solicitation documents.

Palma’s organization maintains numerous contractors who will often share workloads. The GBA instructs its end-user departments to divide these workloads in order to offer a fair amount of opportunities to the contracted suppliers. This practice can also ensure finding the best value possible for each task. The organization has a list of rotation requirements and keeps track of how using departments are doing with a project monitoring tool.

Glatz’s agency makes use of performance-based contracts to maintain a high level of actual quality and positive perception from end users. “We set up a term contract for maybe three years, but we’ll tell the vendor that we’ll test them out for six months subject to how they do on our departmental feedback. If they’re doing well, we’ll continue with the contract. If they’re doing poorly, we’ll reserve the right to use other firms to provide the goods and services that we need… We measure that with a contract report card in many cases. Users grade the firm and actually give them a score.”

For example, Glatz elaborated on a contract that his agency oversees that involves managing the swimming pool in Tamarac’s aquatic center. The contracted supplier is tasked with providing lifeguards, maintenance services and swimming classes. The agency requires the firm to maintain a certain level of quality for these services. This is measured through transactional surveys which are provided to residents as they leave the aquatic center. “We have to walk out with a 95 percent positive rating, or we’ll have a feedback discussion session with them to discuss opportunities to improve. We don’t want to set goals that are impossible, and suppliers often innovate and create opportunities to improve the overall services for us.”

**SUPPLIER DEVELOPMENT**

Similarly, supplier development is a process designed to support small, certified firms and to increase their professional reach and abilities. This process facilitates supplier relationship management for procurement agencies, but it is often performed by separate organizations.

In Oregon, the Port of Portland’s Small Business Development Program is working with these kinds of suppliers to ensure they are able to compete in local contracting opportunities. “Our approach is ensuring that while we provide educational training and resources to develop our suppliers, that we’re also helping them to develop relationships with internal staff members and large contract suppliers. I truly believe relationships are the key to growing and sustaining any business,” says Kimberly Mitchell-Phillips, the small business development program manager for Port of Portland.

Mitchell-Phillip’s program starts by assessing a business’ strengths and weaknesses to create a customized training approach. She then pairs that business with a professional mentor who is affiliated with a larger corporate partner in a similar industry. As the program is not involved directly with procurement, the agency has more flexibility to develop...
these firms. For the sake of fairness, the Port of Portland must recognize and treat all small, certified businesses equally regardless of the type of certification. “To be sure we’re not eliminating any economic group or any social groups, we accept all certified firms,” Mitchell-Phillips says. The four types of vendor certification include: disadvantaged, minority-owned, women-owned and emerging small businesses.

Afterwards, Port of Portland’s procurement agency ensures that the program’s developed firms have opportunities by including disadvantaged business enterprise (DBE) language in solicitation documents for public jobs such as providing concession services for the Portland International Airport.

Mitchell-Phillips recalls a small traffic-engineering firm and its owner that entered the program in 2014. “She had not had any work in almost a year. She had depleted all her savings and was at her wit’s end. It’s been a year. She’s hired two employees. She has so much work she can’t decide what to let go and what to take. Having her work with a mentor in the same industry helped her develop relationships with the types of businesses that would hire her. With our education and professional development classes we offer, we helped her understand how to price her business to make a profit and to market her business to new clients outside the port.”

As developed firms like this garner larger contracts, they are able to sustain their business over a longer period of time, which provides procurement agencies with enduring, valuable partners, according to Mitchell-Phillips.

Palma’s previous job for the Jackson Memorial Hospital in Miami also involved supplier development. “We were the first entity of any size in Dade County that actually used construction management risk. Miami has a very robust minority [recruitment] program. They are very big on that. One of the things I’m proud of is that we built our documentation for the construction manager so that we emphasized and actually had language that required a certain level of minority or disadvantaged companies to participate.” The construction manager was required to provide training programs for those suppliers as well as proof that they were taking place. The $55 million addition to the hospital was accomplished with the help of those firms, and their participation led to more opportunities for them in the local community, says Palma.

Supplier development helps small, certified firms develop the skills and tools necessary to establish and maintain a successful contract. By the time procurement agencies reach the contract management phase with these firms, agencies will have less work to do according to Mitchell-Phillips. “Our internal staff members see that they can do work despite being small. It debunks the myth that just because you’re small you can’t do a good job.”

**COMPLIANCE WITH RULES**

How does supplier relationship management comply with procurement’s rules and regulations, yet still engage the supplier community? An organization has to be transparent and supportive of all contractors and consistent in its approach, Mosley says. “Divulging all information and getting involved earlier in the process creates a more trusting and positive environment,” he says.

Organizations have to operate in a completely ethical manner, Glatz says. To do so, agencies must educate their supplier community and using departments about rules and the reasons behind them. This includes the fact that giving or receiving gifts is considered improper because the public may perceive that the gift has an influence on the outcome of the bid process.

Palma says that public procurement is considered cumbersome by many suppliers because of all the required steps and rules. Even though he noted earlier that pre-bid conferences are important, he doesn’t recommend that agencies make them mandatory as this may discourage suppliers and limit competition during the solicitation process. He does suggest that organizations remain consistent by always holding pre-bid conferences, by posting all their standard agreements online and by creating a uniform look and feel for their bid documents. This familiarizes suppliers with the bid process and allows procurement agencies like the GBA to respond more quickly, which can encourage more suppliers to participate.

SRM can provide procurement agencies with best value and help diversify agency supplier rosters. In this article, procurement professionals using SRM have discussed how mentoring, workload-sharing and performance-based contracts can yield results.

Supplier development programs like the one for Port of Portland are not directly involved with procurement, so their interaction with contractors is less limited. These programs are increasing the diversity of supplier communities by setting and tracking goals for disadvantaged business enterprise in public projects, and they are meeting their goals by providing resources and building relationships with small, certified firms.

To follow up this introduction to SRM, the NIGP Business Council will be releasing a highly informative and instructional white paper that will act as a how-to guide with real-world statistics and in-depth explanations of processes to serve as a training resource for procurement professionals.

As for those agencies already practicing SRM, they are already seeing a positive impact. Keith Glatz says SRM has allowed Tamarac to meet their long-term improvement goals for overall quality of services. “We won the Palladium Award, an international award, for that.” He encourages other procurement agencies to try the process by saying, “Lift up the game for your own organization.”

**ELIJAH BLACK** is an intern with Government Procurement magazine.
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IN DEPTH [energy]

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The number one factor in determining the price you will pay for energy as a retail customer is the price your supplier pays for that energy on the wholesale market. As such, the best way to begin the energy procurement process and develop a buying strategy is to understand the market drivers that affect the wholesale cost of energy. And since much of the cost of electricity is driven by natural gas costs, it’s important to understand the factors that drive the price of natural gas.

**MARKET DRIVERS FOR NATURAL GAS**

Let’s go back to Economics 101 for a moment. One of the first things you learn in an intro-level economics class is that the price of anything you purchase – from gasoline to food to consumer goods to electricity – is heavily driven by supply and demand. If supply is high and demand is low, the price goes down. When supply is down and demand is high, the price goes up. Eventually, after some back and forth, supply and demand will even out and prices will stabilize.

As we head into the spring of 2015, natural gas prices are dropping to lows we haven’t seen in years – especially for future delivery in 2016 and 2017. Simple economics would tell us this price drop is a result of high supply and lower demand.

But what will it take for demand to catch up with supply, pushing current low prices back up into the high range?

To answer that question, let’s investigate the market drivers that have helped create the current supply/demand equation – and the factors that will shape our direction in the future.

**AN UNPRECEDENTED SUPPLY**

The United States is currently sitting on a historically large supply of natural gas. This increase in supply is the result of two major developments:

The first is increased production. Thanks to new developments in horizontal drilling and hydraulic fracturing – or “fracking” technology – U.S. operators can now access previously inaccessible supplies of natural gas buried deep inside shale formations. Some of the highest-producing areas – such as the Marcellus...
Shale in Pennsylvania – are capable of producing several billion cubic feet of natural gas per day (Bcf/d). That shale currently produces an average of 17 Bcf/d, up from less than 2 Bcf/d five years ago. Additionally, this new production is now much closer to the traditional demand centers in the Northeast, which may reduce transportation costs.

The second is increased transmission. Historically, natural gas has moved from southern states to northern ones – but the dramatic increase in northern natural gas production has led to an increase in transmission from north to south. The industry has seen an uptick in both the construction of new north-to-south pipelines and pipeline reversal projects, also known as backhaul, in which existing south-to-north pipelines are repurposed to move natural gas and oil north-to-south.

Natural gas is literally moving in directions we’ve never seen. The increased supply – combined with the increased transmission of U.S.-produced natural gas – means that the demand for natural gas has been growing more slowly than supply as of late.

### Number and Capacity of North American LNG Export Facilities

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<th>Volume (Bcf/d)</th>
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<td>29.9</td>
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A GRADUAL SHIFT IN DEMAND

While we are currently in a market where supply is dominating the equation and leading to lower natural gas prices, this situation is likely to change and demand is certain to catch up. In any industry, when consumers have access to cheaper goods, they will buy those goods until the price increases level off demand – many times swinging the pendulum in the other direction.

We are already beginning to see key shifts in demand that will likely affect natural gas prices in the near future. Power plant generation is switching from coal to natural gas. Natural gas is now cheaper than coal. As a result, many older coal-fired power plants are being retired and are being replaced by natural gas. More than 4,700 megawatts (MW) of new natural gas-fired power plant capacity are expected to come online in 2015. Another 40.5 gigawatts (GW) of capacity from coal-fired power plants, which have announced retirement plans, will be replaced by gas-fired generation. This is expected to add 1-2 Bcf/d of natural gas demand by 2020.

And because natural gas burns much cleaner and creates less air pollution than coal, this trend is also supported by the EPA. The result? We are looking at a dramatic increase in the amount of electricity produced by natural gas, and this trend will greatly increase the demand for natural gas.

Liquefied natural gas exports have also increased. As the U.S. continues to produce huge quantities of natural gas, the demand for natural gas in places like China and India is expected to increase dramatically over the next several years. This means that the U.S. is poised to become a major exporter. In fact, we are already seeing an increase in permits for LNG export terminals, which convert natural gas to liquid form for shipping overseas.

There are currently five LNG export facilities under construction, which total 9.2 Bcf/d of export capacity under construction. Projects which would add an additional 4 Bcf/d in export capacity have already been approved.

SECURE YOUR SUPPLY NOW

When you understand the factors that drive energy prices one way or the other, you can adjust your strategy and make better purchasing decisions.

When it comes to natural gas prices, it seems that we are nearing the end of the era of extremely low prices. Although we are still in an environment where supply far exceeds demand, the evidence suggests that the natural gas supply/demand equation is poised to begin tilting in the other direction.

Bottom line: If you are an energy procurement professional, it may be smart to evaluate market research and industry intelligence and to begin locking down your energy needs sooner rather than later. Take advantage of the natural gas market being at the far end of the supply/demand spectrum, and do what you can to lock in the best possible price before the volatile market inevitably swings back in the other direction.

BOB WOOTEN, C.P.M., CEP, is Director of National Accounts for Tradition Energy and has over 20 years of experience managing government procurement programs for a wide variety of clients including cities, schools, colleges, universities, housing authorities and municipal districts. Bob holds professional certifications from the Association of Energy Engineers and the Institute for Supply Management, as well as a B.A. from Texas A&M University, and a Master’s in Public Administration from the University of Houston.
The Universal Public Procurement Certification Council (UPPCC) announced that 134 individuals successfully completed the fall 2014 UPPCC certification examinations administered October 20 – November 1, 2014. The Certified Public Procurement Officer (CPPO) and Certified Professional Public Buyer (CPPB) credentials, recognized throughout the public procurement profession, convey an individual’s comprehensive knowledge and expertise in the field of public procurement. Of these 134 newly certified individuals, a total of 81 earned the CPPB certification while 53 earned the CPPO certification. This newest class of professionals brings the total number certified for CPPB and CPPO to 9,859 and 2,585 respectively.

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Christina L. Stephens, CPPB Missouri Department of Transportation
Catherine M. Strauch, CPPB California State University
Laila Sultan, CPPB Fairfax County Public Schools, Va.
Thomas J. Teprovich, CPPB Commonwealth of Pennsylvania, Department of General Services
Ronda J. Thornburg, CPPB InterMountain ESD, Ore.
Yolan Allison Todd, CPPB City of Lauderdale, Fla.
Danielle M. Tomerlin, CPPB Maricopa County, Ariz.
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Richard R. (Dick) Welch, CPPB State of Illinois Procurement
Ward W. Wells, CPPB, C.P.M. University of Alaska, Anchorage
Becky L. Wheeler, CPPB City of Eugene, Ore.
Sarah M. Zettler, CPPB Fanshawe College, Ontario, Canada

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NIGP Recognizes Milestone Agency Anniversaries

Your efforts and membership have contributed to our legacy... building a world in which public procurement practitioners are highly regarded members of a respected professional order.

Celebrating 60 Years
St. Louis County, Mo.
Unified Government of Wyandotte County, Kan.
City of Vineland, N.J.
City of Lincoln, Neb.
Anne Arundel County, Md.

Celebrating 55 Years
Village of Skokie, Ill.
City of El Paso, Texas
City of Columbia, Mo.
City of Grand Junction, Colo.
City of Little Rock Ark.
City of Decatur, Ill.

Celebrating 50 Years
Dutchess County, N.Y.
City of Chattanooga, Tenn.
City of Sarasota, Fla.

Celebrating 45 Years
Genesee County, Mich.
City of Elgin, Ill.
City of Kettering, Ohio
City of Alcoa, Tenn.
City of New Orleans, La.
Corporation of the City of Oshawa, On.
Clark County, Nev.
Orange County, Fla.

Celebrating 40 Years
City of Falls Church, Va.
City of Ann Arbor, Mich.
St. Clair County, Ill.
Palm Beach County, Fla.
City of Leesburg, Fla.
City of Palm Springs, Calif.

Celebrating 35 Years
City of Mesa, Ariz.
City of Orlando, Fla.
Hampton Roads Sanitation District, Va.
City of Olathe, Kan.
City of Springfield, Ohio
Terrebonne Parish Cons.
Government, La.
City of Roanoke, Va.
City of Boca Raton, Fl.
State of Wisconsin, Wis.
City of Boise, Idaho
City of Portland, Ore.
City of Meridian, Miss.
Carroll County, Md.
Monroe County, N.Y.
City of Bossier City, La.
Commonwealth of Kentucky, Ky.
Fairbanks North Star Borough, Alaska

Celebrating 30 Years
Dona Ana County, N.M.
City of Sierra Vista, Ariz.
City of Hampton, Va.
City of Colorado Springs, Colo.
The Citadel, S.C.
City of Warner Robins, Ga.
City of Sea Isle City, N.J.
Toronto District School Board, On.
Gwinnett County, Ga.
City of Greeley, Colo.
Ontario County, Canandaigua
Town of Vienna, Va.
Hennepin County, Minn.
University of Missouri System, Mo.
Knox County, Tenn.
Alexandria Sanitation Authority, Va.
Colorado State University, Colo.
Northwest Missouri State University, Mo.
Port of Portland, Ore.
City of Red Wing, Minn.
University of Central Arkansas
City of Homestead, Fla.
Texas Lottery Commission
Colorado Department of Transportation
George Mason University, Va.
Broward College, Fla.
Delgado Community College, La.
Radford University, Va.
Cayuga County, N.Y.
City of Pompano Beach, Fla.
City of Fort Myers, Fla.

Celebrating 25 Years
Kansas City School District, Mo.
Village of Lisle, Ill.
City of Tallahassee –
Procurement Services, Fla.
Galveston County Health District, Texas
Regional Municipality of Durham, On.
Shelby County Schools, Tenn.
City of McAllen, Texas
University of Houston at Clear Lake, Texas
City of Coppell, Texas
Corporation of the City of Vaughan, On.
City of Tuscaloosa, Ala.
San Diego Community College District, Calif.
Chicago Public Schools, Ill.
Bernards Township, N.J.
Town of Brookhaven, N.Y.
Macon-Bibb County, Ga.
Roane County, Tenn.
Regional Municipality of York, On.
Waukesha County, Wis.
City of Jackson, Miss.
Kenton County, Ky.
Loudon County Purchasing, Tenn.
Metropolitan Atlanta Rapid Transit Authority, Ga.
Louisiana Department of Corrections, La.
Richland School District #2, S.C.
Virginia Department of Agriculture & Consumer Service
Johnson County, Texas
City of Norman, Okla.
Fairfax Water, Va.
City of Thunder Bay, On.
Kenosha County, Wis.
Dallas County Community College Dist., Texas
Placer County Water Agency, Calif.
Littleton Public Schools, Colo.
City of Grand Prairie, Texas
County of Orange – Purchasing Department, Calif.
Racine Unified School District, Wis.
Towson University, Md.
Sarasota County, Fla.
Tri-Met, Ore.
Adams Twelve Five Star Schools, Colo.

Cook County Office of the Chief Procurement Officer, Ill.
City of Peoria, Ariz.

RESOURCES [anniversaries]
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Driven to succeed

Traveling around the country teaching colleagues about procurement and supply management has its advantages. These include seeing many beautiful new places, enjoying a bit of local culture and most importantly, the privilege of meeting some truly wonderful people.

I was recently in Columbia, S.C. teaching a class for NIGP on managing the construction contracting process. One of the professionals in our class was LaShonda Outing, who I was so impressed with that I wanted to share her story with our readers.

During class introductions, she proudly shared her background of nearly 30 years of service to her local school district. Outing’s first position was as a bus driver, making sure that her students arrived on time to school each morning and returned safely home in the afternoon.

As a working adult, she found the time to attend college and obtain her degree, often attending classes between her bus routes. She later worked as a transportation clerk before taking a job in the Purchasing Services Department. Outing started off as a secretary and then worked her way up into a buyer apprentice role, and finally, she became a procurement specialist.

In 2005, her district recognized her experience, knowledge and dedication and promoted her to the position of purchasing manager. She still holds that position today.

What does Outing like best about procurement? She enjoys the interaction with both suppliers and school administrators, and she appreciates the chance to learn about what is needed to successfully operate a school district. Providing the goods and services needed to support education gives her a sense of accomplishment.

Outing stresses the importance of professional development and is thankful for the support and guidance she has received from her current and past directors. This support made it possible for her to attain her certified professional public buyer (CPPB) designation. In the future, she hopes to pursue a graduate degree in a procurement-related field and also obtain her CPPO certification.

So who is her role model and source of inspiration? That would be her youngest son, Timothy. Even though he suffers from a rare medical condition that causes him extreme pain, he puts on his best front and endures with grace. Timothy’s fight has taught his mother a great deal about diligence and patience, which are things that help her each day at work. In fact, it was Timothy’s courage that gave her the confidence to pursue her current position. He was only two years old and fighting brain swelling in the ICU the day Outing interviewed to be purchasing manager. Her faith and belief in family let her know it was the right thing to do.

Timothy is now a teenager and continues to be the hero of a world-class procurement professional: his mother, LaShonda Outing.

Timothy’s fight has taught his mother a great deal about diligence and patience.

Darin Matthews, FNIGP, CPPO, C.P.M., teaches public procurement at Portland State University. He has extensive management experience, speaks throughout the world on procurement and has published several books and articles on supply management. Contact Matthews at darin.matthews@pdx.edu
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