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FIVE WAYS TO SPEED UP GOVERNMENT PROCUREMENT

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IN 2017, THE US federal government purchased approximately \$790 billion in goods and services from suppliers—with the Department of Defense accounting for over 50% of this spending—and outsourcing continues to grow. Although procurement is critically important to the success of all types of government services, the process takes far too long in most cases.

This is a major problem for the government—not to mention taxpayers. When the acquisition process stretches out over months or even years, which is not uncommon, the delays not only drive up costs but also make it more difficult for government employees and agencies to serve their constituency and fulfill their mission.

As currently structured, government agencies don't have many of the tools available to address this problem. Fortunately, they can readily adopt several best practices from the private sector to address existing challenges and shorten procurement cycle times. BCG recently analyzed where acquisitions stall most frequently and what is needed to

overcome these roadblocks. On the basis of our analysis, we recommend specific actions that can speed up procurement while still meeting all regulatory requirements.

Procurement Challenges

Government organizations face unique and unavoidable challenges, but they can be managed in ways that don't unduly slow down purchasing.

First, government agencies are rightfully concerned about compliance, given the strict regulations that govern the acquisition process. These regulations serve an important purpose by ensuring that taxpayer funds are treated appropriately. But a tendency to add too many redundant checks and processes to ensure compliance can lead to unnecessary delays and increased costs. Without question, laws and regulations must be adhered to fully. (Of course, if they represent too big of a barrier, they can be challenged in the proper forums.) Many government agencies, out of an abundance of caution, are reluctant to eliminate the

obsolete policies and inefficient ways of working that drive longer cycle times. But many of the most problematic practices could be changed relatively easily without running afoul of laws and regulations. Individual agencies have control over many of the policies and behaviors that are responsible for long acquisition times—and these issues can be quickly fixed.

Second, government agencies don't necessarily have the tools, data, or technologies that could be used to accelerate the procurement process. Not unlike their private-sector peers, government agencies face challenges with data quality: information must be pulled from multiple systems, data must be checked and verified, and in some cases the government must go to suppliers for the data it needs. Furthermore, many tasks are still done manually when simple automation tools would be vastly more efficient; for example, tools could be used to summarize supplier bids and automatically provide supplier feedback. Some of the fixes will take time and investment, but others can be quickly developed and deployed.

Finally, complex government bureaucracy presents a series of hurdles. The responsibility for acquisition and procurement is often spread across multiple departments or offices, reflecting little insight into the big picture.

A meaningful percentage of the inefficiencies that bog down the government's acquisition and procurement processes are entirely addressable—and can be fixed without affecting existing services or breaking the budget—because many of the changes are cultural and behavioral.

Actions to Take Now

To speed up the acquisition and procurement process while reducing costs and enhancing the government's ability to deliver on its core mission, agencies must gain a holistic view of purchasing across departments, streamline internal processes to eliminate inefficiencies, remove obstacles that deter suppliers from bidding, and remove superfluous elements that needlessly

drive up suppliers' costs. Here are five actions government agencies can take today to accelerate their acquisition and procurement processes.

Action 1: Gain a holistic view of procurement across departments. Government agencies typically have multiple layers of hierarchy and rigid division of labor. During the acquisition and procurement process, one team may define the statement of work, a second team may write up the specifications, and a third team may manage the contracting process. Although they're often part of the same organization, the teams rarely sit down in the same room to align and fully ensure that everyone knows exactly what product or service is needed—and why. When internal teams don't have adequate opportunities for alignment, ambiguity can creep in. Suppliers may become confused about what the government needs—and submit low-quality quotes as a result—which generates additional rounds of questions and delays.

This problem of bureaucracy and siloed decision making manifests itself in other ways as well. In our work with a large health care organization, we discovered that it was making purchasing decisions at the local level, without regard to the benefits that could be achieved through centralized purchasing. Various local teams were buying the same items from the same suppliers, but using different purchasing channels. Not only were they not getting the best price, they were creating a great deal of unnecessary work. The local teams used different solicitations, different processes, and different negotiations with the same supplier. With a more comprehensive view across departments, the organization could bundle all solicitations into one, freeing up time (by eliminating duplicate solicitations) and lowering costs (by gaining a scale advantage in pricing).

To gain a more holistic view of procurement, government agencies need to communicate more effectively and gather the right stakeholders so they can anticipate questions that will come up at critical points during the acquisition and procurement process. Through cross-functional

meetings, teams become more effective in two ways. First, there's an opportunity to better understand the overall context for each new acquisition. Teams can talk through the end users' needs, develop a clear statement of work, and consider how purchases might be bundled over time, eliminating common chokepoints and inefficiencies in the process. Second, teams can clarify roles and responsibilities, align on pricing and timing, determine who has decision and sign-off rights, and clarify which types of decisions need to be escalated. By educating teams on how the product or service will ultimately be used and empowering them to make decisions at key points during the acquisition and procurement process, negotiations with suppliers can move much more quickly.

Action 2: Streamline internal operations.

Government agencies tend to work sequentially, which creates enormous lag time as one team waits for the other teams to work through their specific steps in the process. For agencies to meet their mission, efficiency matters, and every delay means the end user is waiting longer to get what they need. Organizations can dramatically accelerate the acquisition and procurement process by streamlining internal operations.

In our work with a large US transit operator, the client eliminated months of lag time in the procurement process simply by (1) changing from sequential processing to parallel processing of bids, (2) leveraging cross-functional teams, and (3) improving the communication and bidding tools it uses with suppliers. Prior to making these changes, the organization would form a technical evaluation team to review and score the proposal. This process alone could take two to three weeks, because the team was forced to go back to the suppliers with additional questions. Only when the technical evaluation was complete could the commercial team begin its work.

To streamline this process, we worked with the organization to form the teams ahead of time so they could move quickly once a bid came in. When a solicitation was ready

to go out to bidders, a technical evaluation team and a commercial team were already in place and prepared to evaluate bids the day they came in. The two teams worked separately, as required, but they dramatically shortened the timeline by working in parallel, rather than in sequence. This simple change not only accelerated the organization's acquisition process, it mitigated one of the key deterrents for suppliers when it comes to government contracting: lengthy sales cycles.

In many cases, even very small changes can shave off months of unnecessary delays. For example, the transit operator required 12 people to sign off on major procurement decisions. The organization routed this paperwork manually and sequentially, and the paperwork could sit on a desk for a week or more waiting to be signed. The signature gathering process alone could take up to three months. To eliminate this inefficiency, the organization optimized its internal process so that all required signatures were gathered during the same week, in parallel. At the end of that week, with all signatures secured, it proceeded with the acquisition process.

Action 3: Pursue agile ways of working.

Procurement is often viewed as a monolithic activity in which program teams are expected to define up front exactly what they need and then go after the perfect solution. But in the digital era, it's folly to assume that the "perfect" solution today will still be the best solution in three to five years. As part of streamlining internal operations, agencies are beginning to experiment with agile techniques.

Instead of expecting teams to craft a comprehensive solicitation for a product that likely won't be functional for two to three years, procurement can be managed in bite-sized chunks. As the product is being developed, the end user works with suppliers, in iterations, to provide feedback on product development. By working in short sprints and focusing on the minimum viable product, suppliers can take the risk out of large, complex projects and respond quickly to changing requirements.

This approach requires new, more flexible contracts that facilitate collaboration between public institutions and suppliers. It also requires careful planning and execution to ensure that supply options are not limited too early. When this happens, suppliers gain the upper hand, which leads to higher prices and reduced flexibility. Again, it is important to create cross-functional teams so procurement can engage fully with all relevant stakeholders, from operations to budgeting to contracts. It's also helpful to put in place management tools and processes that facilitate interactions with multiple suppliers over a longer period of time.

Action 4: Automate and digitize where possible. Government agencies aren't always aware of just how long their acquisition processes take. Digital technologies can bring end-to-end transparency to the procurement process—from initial request to delivery of a final product—and the insights gained can be used to facilitate easier and faster internal handoffs.

We have seen powerful results when our clients build dashboards that allow them to visualize the overall procurement process, tracking key metrics along the way. A comprehensive dashboard that shows all facets of procurement—defining requirements, developing bids, soliciting bids, reviewing bids, negotiating, reviewing and approving contracts—sheds light on exactly how long each acquisition takes and, most importantly, where the bottlenecks are.

For example, one department at a federal agency may take an unusually long time to process a procurement from requirement to contract, but that insight is not actionable unless it's clear where the delays occur. A dashboard breaks down the process into its component parts, revealing, for example, that the signing process takes 30 days for the agency in question, but only 22 days at another department agency, and just 15 days for an analogous private-sector company. Using real on-the-ground data to view the end-to-end process, organizations can identify precisely where the delays occur and focus their efforts on improving performance and crossing the finish line.

In addition, automation and digitization can help routine processes run more smoothly. For example, paper forms can be digitized so they're easier to sign and submit. Digital templates can be developed to help teams score proposals and quickly provide feedback to suppliers. Digital tools can be used to scan quotes and identify which bids offer the best value. At nearly every stage of the acquisition and procurement process, analytics and automation can be used to make civil servants' jobs easier.

Action 5: Make the bidding process easier for suppliers. In addition to streamlining and automating internal processes, government agencies also need to eliminate inefficiencies in their interactions with suppliers.

The first step is to ensure that the end user's requirements are well understood at the outset so suppliers can respond effectively. If the end user's requirements are vague, the process can get bogged down as suppliers come back with questions, or, in some cases, simply decide to include risk premiums in their pricing.

The second step is to collaborate with suppliers in a way that maximizes innovation and efficiency. Don't myopically prescribe a solution. Describe the outcome you want to achieve. Write a statement of work that encourages suppliers to think creatively about how best to achieve the outcome you're looking for. In other words, don't assume there's only one way to get what you need from the supply base. Describe the challenge you face, and let the suppliers provide innovative alternatives that meet the underlying requirement. Give them a chance to say "This is what you asked for, and it's one possible solution, but here's another option that we believe is more effective." By focusing on broad functional requirements, rather than engineering specs, the process can be vastly more efficient for suppliers, procurement, and end users.

Government agencies can also leverage technology to simplify the bidding process. Suppliers are eager to submit bids online, and they would like to find out within days whether or not they will be given a contract.

By building a simple web portal that lists acquisitions, posts announcements, accepts bids, and provides feedback to suppliers, agencies can lower the barrier to entry and broaden their pool of suppliers.

HUNDREDS OF BILLIONS OF dollars flow to government contractors every year—and public institutions have an opportunity to speed up the acquisition

process, access innovative products more quickly, and generate much greater value for the public sector. The public sector exists to serve all of us—in housing, defense, health care, education, social services, and so much more. When procurement goes smoothly, citizens get the services they need faster. And we all benefit when governments find more efficient ways to use our tax dollars.

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