



CALIFORNIA
STRATEGIC
SOURCING
INITIATIVE

DGS Small Business Council Outreach Subcommittee

April 27, 2005

M. Dennis



Issues

- Strategic Sourcing Overview
- Strategic Sourcing Outreach to SB/DVBEs
- Outreach Generally
- Event ideas

Strategic Sourcing Overview

- **What is Strategic Sourcing?**
- **How will the process work?**
- **How will Strategic Sourcing Affect SB/DVBEs?**
- **Next Steps**



Strategic Sourcing is....

An approach to buying where the buyer (California) analyzes:

- **What is bought by whom and at what price**
- **The market conditions**
- **Who can supply goods or services**



Strategic Sourcing will...

- Provide new opportunities for SB/DVBEs to compete for state business

WHILE

- Preserving existing preference and participation programs that benefit SB/DVBEs

- Be used for goods and services that are:

- Bought in large quantities
- By multiple agencies

WHERE

- Careful analysis shows it can be successful



New Tools & Techniques



Exploit Buying Power

- Consolidate number of suppliers
- Pool volume across units
- Redistribute volume among suppliers
- Combine volume from different commodity categories

- Compare "total" costs
- Model "should-costs"
- Renegotiate prices
- Unbundle pricing

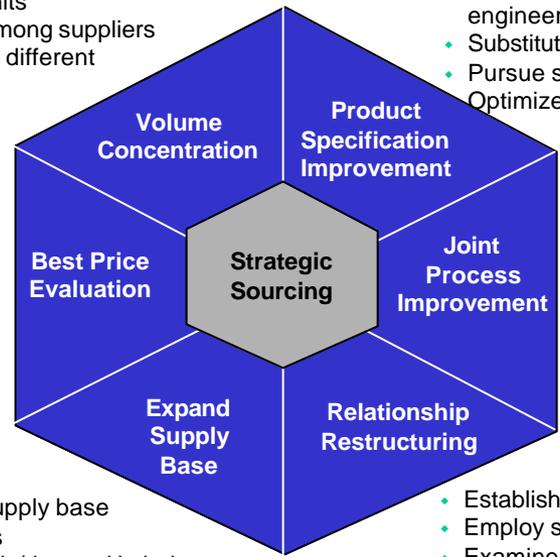
- Expand geographic supply base
- Develop new suppliers
- Profit from global supply/demand imbalances

Create an Advantage

- Conduct product value analysis and engineering
- Substitute materials
- Pursue system buying alternatives
- Optimize life cycle costs

- Reengineer joint processes
- Share productivity gains
- Integrate logistics
- Support supplier operations improvement

- Establish/develop key suppliers
- Employ strategic alliances/partnering
- Examine strategic make versus buy
- Develop integrated supply chain

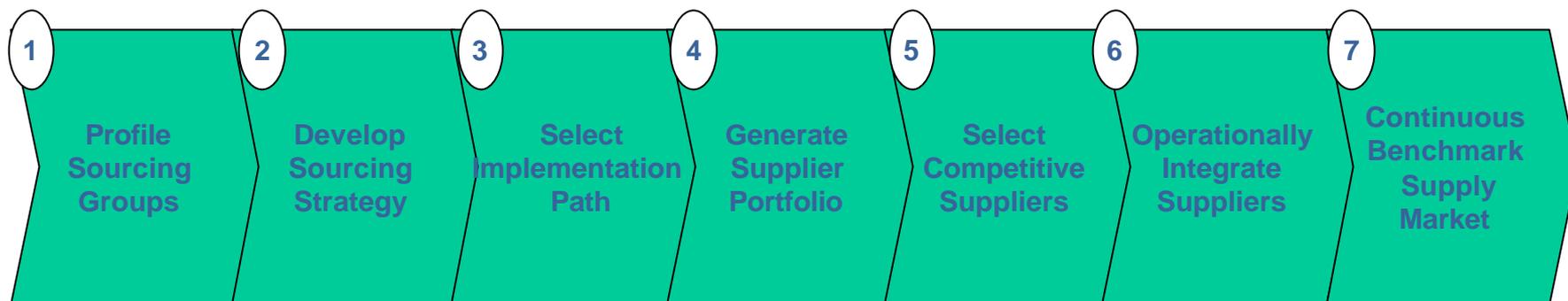


New Tools:

- ✓ Online ("e") RFPs
- ✓ Internet Negotiations (Reverse Auctions)



Strategic Sourcing Process



- Confirm user requirements
- Develop categories definitions
- Understand industries and supply markets

- Identify qualified suppliers
- Determine supplier value-added capabilities
- Develop supplier “short list”

- Assess bargaining positions
- Evaluate alternative strategies
- Select appropriate approaches and techniques

- Select competitive vs. relationship approaches
- Verify and adjust sourcing strategies
- Develop implementation plans

- Plan negotiation strategies
- Conduct negotiations with suppliers
- Evaluate supplier proposals

- Plan and implement transition to new suppliers
- Implement new pricing on databases
- Conduct joint process improvement activities

- Monitor market conditions
- Assess new technology and best practices impact
- Determine opportunities to re-examine categories



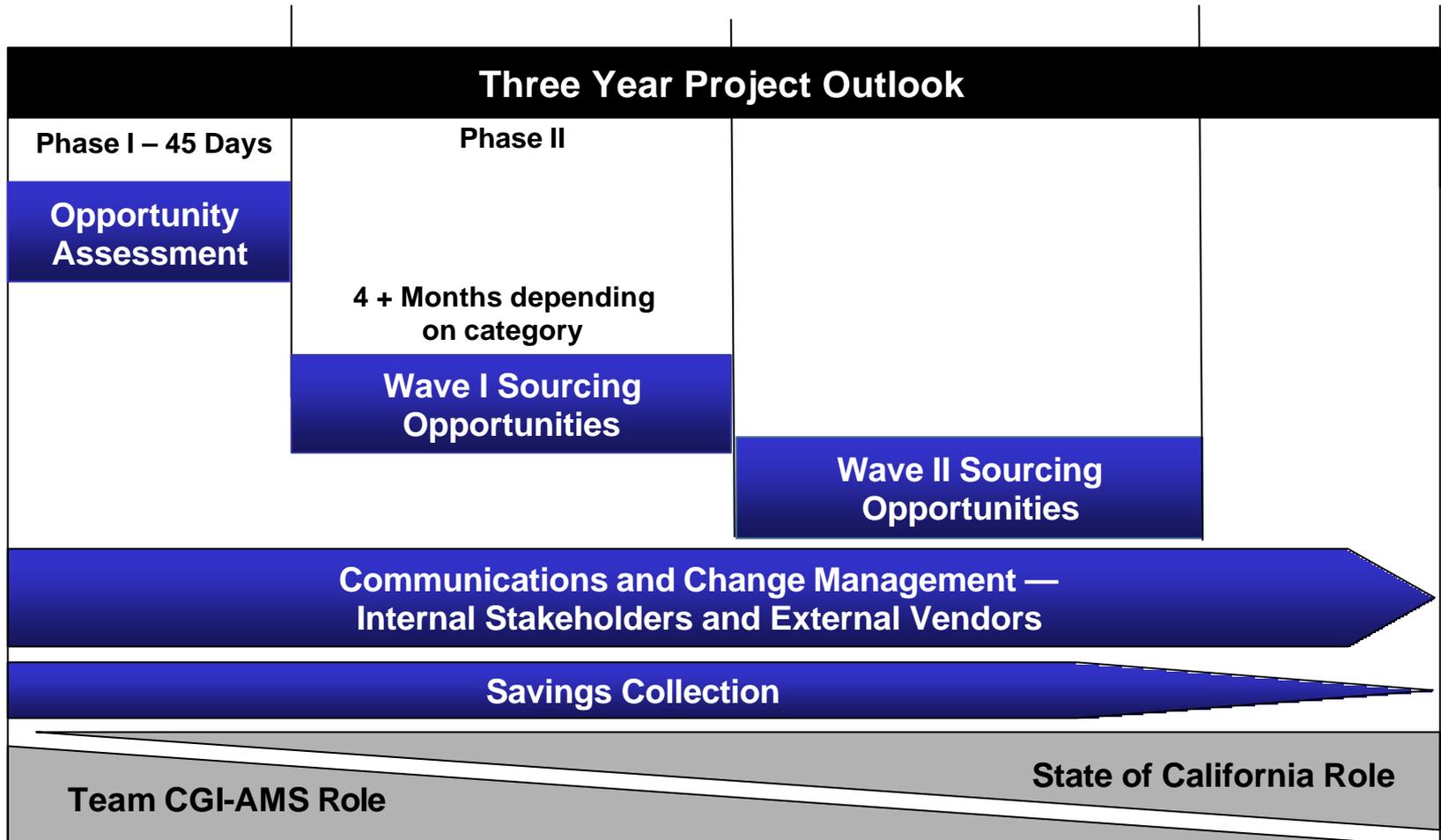
Project Roadmap

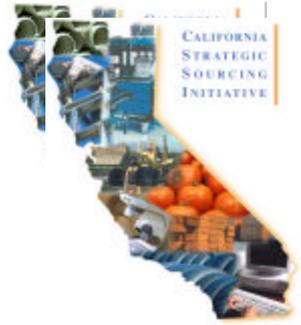
September 2004

January - June 2005

July – December 2005

June 2007





Phase I Assessment and Deliverables

- **Analyzed the State of California Spending on External Goods and Services:**
 - **\$ 3.6 billion in purchase orders**
 - **\$13.9 billion of accounts payable**
- **Analyzed Current Procurement Laws, Policies and Procedures**
 - **Identified areas that will improve savings opportunities when sourcing**
- **Interviewed Agencies and Departments**
 - **To determine gaps compared to best procurement practices**
 - **To clarify spend analysis**
- **Developed and Submitted Three Key Deliverables**
 - **With recommendations of categories for Phase II**
 - **With a best procurement practices analysis**
 - **With an environmental assessment recommending key tools to drive savings**



Phase I Analysis Results

Jun 04 – Aug 04

Phase 1 Diagnostic

- Spend analysis
- Wave plan
- Savings methodology

Aug 04 – Feb 05

Wave 1 Implementation

- Office Equipment
- Office Supplies
- MRO - Supplies
- IT Hardware
- Vehicles
- Telecom – Services & Equipment (Wireless)
- Medical Products
- IT Services
- Medical Services

Feb 05 – Jun 05

Wave 2 Implementation

- Food & beverage
- Commercial Services
- Professional Services
- Personnel Related Services

Note: Updated timelines are available on the CSSI Web site with the Contract Key Dates table. Dates are TENTATIVE and SUBJECT TO CHANGE.



Wave 1 Categories

- Wave 1 categories and implementation schedule continue to be refined
 - Team will continue during Phase II to refine category analysis and savings potential
 - Team will also continue to refine schedule for category implementations



SB/DVBE Goals are integrated into each step of the Strategic Sourcing Methodology

- **Step 1– Profile Sourcing Groups**
 - Determine Spend by Supplier
 - Collect Supplier line item detail
 - Compile product specification
- **Step 2– Develop Sourcing Strategy**
 - Conduct Environmental Assessment
 - Assess Socio-Economic Considerations
- **Step 3– Generate Supplier Portfolio**
 - Identify SB/DVBE Community Considerations
 - Develop SB/DVBE Strategy
- **Step 4 – Select Implementation Path**
 - Determine appropriate sourcing approach
 - Develop solicitation document
 - Develop evaluation criteria
 - Small Business Preference
 - Non-Small Business Preference
- **Step 5 – Supplier Negotiations**
 - Solicitation document issued
 - Supplier Outreach
 - Evaluation & Award

SB/DVBE Objectives



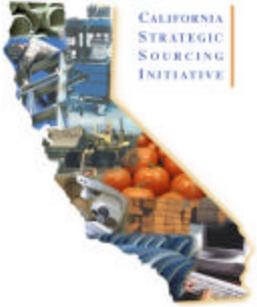
CSSI SB/DVBE Charter

- **Conduct sourcing activities in an ethical, respectful, and business-like manner that seeks to develop trustful, long-term relationships with the State's suppliers and business partners**
- **Maintain a fair, ethical and open process that fosters respect and is consistent with California's desire to promote competitiveness and current Small Business and DVBE policies and programs**
- **Seek to maintain current aggregate level of certified Small Business and DVBE participation (percentage of spend)**
- **Support OSDS's outreach efforts designed to assist certified Small Businesses and DVBEs in understanding the potential opportunities**
- **Design and conduct training sessions for Small Businesses and DVBEs on the use of new sourcing tools and approaches (category specific)**
- **Each category team will consider Small Business and DVBE participation as part of the supply market analysis and will determine the business case for the specific SB approach for each category**



Sourcing Opportunities will include...

- **Strategies to include SB/DVBEs**
- **Training and support to SB/DVBEs on how to:**
 - **Bid successfully**
 - **Use on-line eRFP tools**
 - **Participate in a reverse auction**
- **Workshops to partner SB/DVBEs with large businesses**
- **An open and competitive solicitation process**
- **Public bidding results**
- **Post event Q&A – feedback to SB/DVBEs**



Successful Strategies to Achieve SB/DVBE Participation

- **Adhere to Established Preference/Goal Programs**
- **Bid Pass/Fail Requirements for Levels of Participation**
- **Evaluation Points for Levels of Participation**
- **Award Multiple Contracts to Increase Small Business Participation**
- **Un-bundle Requirements Whenever Possible to Increase Participation**
- **Extensive Outreach to Help Emphasize the Value of Partnering Relations**



Current Project Status

- **Sourcing Teams Established**
- **Category Kickoffs**
- **Strategic Sourcing Training**
- **Development of Category Work Plans**
- **Approval of Work Plans**
- **Establishment of Savings Baseline**
- **Release of RFPs**
- **Bidder Conferences/Partnering Workshops**
- **Contract Awards in process**



Current Status

Category	Description	Award Date
IT Hardware Enterprise Hardware	Enterprise servers and storage systems	Tentative Award July 2005
IT Hardware PC Goods	Desktops and workstations, laptops, PC servers, printers, and peripherals	Tentative Award June 2005
Medical Related Goods Proprietary Pharmaceuticals	Pharmaceuticals, medical/surgical supplies, and durable medical equipment.	Tentative Award April 2005
Medical Related Goods Prime Vendor	Pharmaceuticals, medical/surgical supplies, and durable medical equipment.	Tentative Award June 2005
Medical Related Goods Pharmaceutical Benefits Management	Pharmaceuticals, medical/surgical supplies, and durable medical equipment.	Tentative Award July 2005
Maintenance, Repair and Operations (MRO)	Janitorial supplies, industrial supplies, tools, safety supplies, and HVAC.	Tentative Award July 2005
Medical Related Services Temp Staffing	Temporary staffing; hospital and physician services; and laboratory testing services	Tentative Award July 2005



Current Status, cont'd.

Category	Description	Award Date
Medical Related Services Hospital Services-Temp Staffing	hospital and physician services; and laboratory testing services.	Tentative Award May 2005
Office Equipment	Copiers and their service agreement, furniture; and postage meters	Tentative Award May 2005
Office Supplies	All supplies used to keep an office and or business functional	Awarded January 2005
Wireless Equipment and Services	Wireless voice and data related wireless equipment including accessories.	Tentative Award July 2005
Vehicles - Light	SUVs, Trucks and Vans	Tentative Award September 2005
Vehicles - Pursuit	E-Class Sedans	Awarded January 2005



Next Steps

- Stakeholder information gathering
- California remains committed to:
 - Working with SB/DVBEs to create opportunities for existing vendors
 - Bringing in new suppliers
 - Getting the best value for all people of California



Conclusion

- California is always looking for companies that:
 - Can provide high-quality goods and services
 - Offer competitive prices
 - Can develop innovative business solutions
 - Are focused on customer needs

- California remains committed to:
 - Working with SB/DVBEs
 - Bringing in new suppliers
 - Getting the best value for the people of California



Resources

- Visit the CSSI Web site at:
www.pd.dgs.ca.gov/stratsourcing for:
 - Frequently Asked Questions
 - Latest project information
 - A link to subscribe for updates

- Information Desk: 1-866-885-8344 (toll free)



Strategic Sourcing Outreach **to SB/DVBEs**

- Office of SB/DVBE Services
 - Mariel attends weekly CSSI Management Team meetings
 - Patti participates on Communication Team
- CDVA recently invited to participate on Communication Team
- Consultant Support (Paul Pendergast)
- All coordinate on:
 - Partnering Workshops
 - Communication materials



Outreach Generally

- Need to reassess resources/priorities
- Customer Service focus
- Competing demands:
 - certification backlog,
 - education – whose role is it?
 - statutory responsibilities
- Budget Issues -- Travel
 - Sacramento area
 - Around California
- Other



Event Ideas

- Open Discussion