



Commission for a New Georgia

Procurement Task Force

Executive Summary

July 13, 2004



Task force members

<p>Jim Balloun (Chair) Acuity Brands, Chairman and Chief Executive Officer</p>	<p>Anita Hayman NutraSweet, Procurement Manager, President of South GA Chapter of National Association of Procurement Managers</p>
<p>Jim Bostic Georgia-Pacific, Executive Vice President</p>	<p>Tim Houghton BellSouth, Vice President, Supply Chain Services</p>
<p>David Brown Acuity Brands, Director of Q6 Deployment/Sourcing</p>	<p>George Lottier Georgia Minority Supplier Development Council, Executive Director</p>
<p>John Campi Home Depot, Vice President, Global Sourcing, Supply Chain, and Procurement</p>	<p>Jeffrey Rolsten BellSouth, Executive Director of Sourcing</p>
<p>Ken Carty Coca-Cola, Director of Global Procurement & Trading</p>	<p>Pam Tamasi Scientific Atlanta, Corporate Services</p>
<p>Russell Grizzle Milliken, President of Floor Covering</p>	<p>Will Vereen Riverside Manufacturing, President and Chief Executive Officer</p>

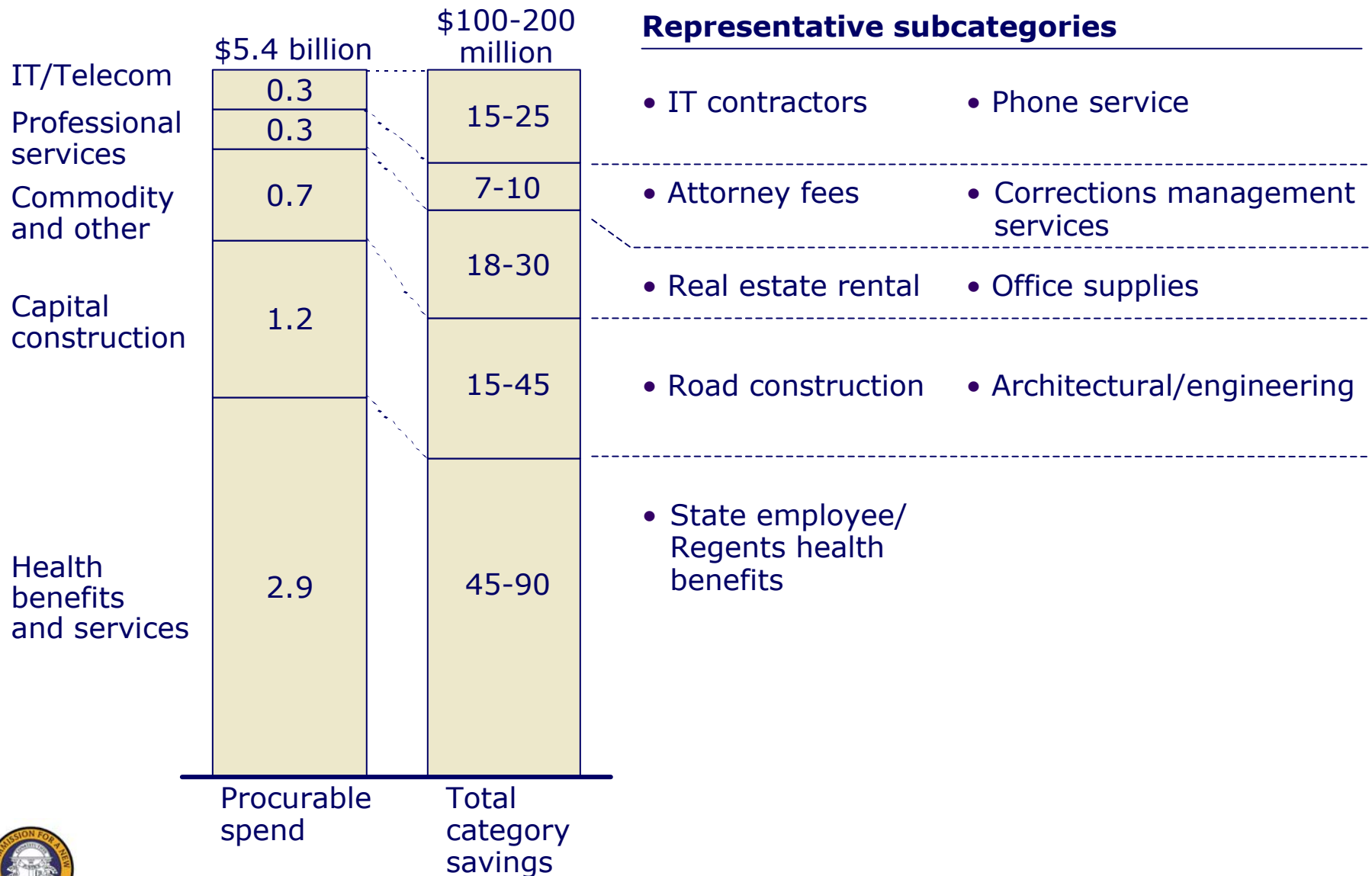


Key messages

- **Georgia should transform state procurement to deliver greater value to users and taxpayers**
 - At least \$100-200 million in savings; \$25 million achievable after first year of work
 - Real demonstration of making Georgia one of best managed states
 - Other states and many leading companies have successfully tapped this opportunity
- **Achieving this goal will require major change and an aggressive mindset by State leadership**
 - Address all major spend areas across major agencies and Board of Regents
 - Take on tough issues – almost 50% of expected savings in health benefits
 - Redefine procurement role, governance and organization
 - Upgrade procurement skills and instill performance-minded culture
 - Streamline core processes and address technology deficiencies
- **The task force has developed specific recommendations and a set of “90-day actions” to launch this initiative**
 - Single most important step: appoint a strong leader (2- to 3-year commitment)
 - Will require external help and \$10+ million investment
- **Georgia’s \$6.3 billion Medicaid expenditures present additional opportunity that should be tackled separately**



Georgia can save at least \$100-200 million on \$5.4 billion in spend



Georgia compares favorably to other states, but is deficient on key dimensions compared to world-class

Summary of Major Issues

Overall mission, strategy and policy

- Mission focused on compliance, not cost reduction
- Procurement authority based on spend thresholds not natural owners
- Procurement code interpretation too skewed toward suppliers

Organizational roles, structure and skills

- Central procurement (DOAS) limited effectiveness
- Redundant, fractured procurement functions
- Skill / training gaps for strategic sourcing

Process effectiveness and efficiency

- Sourcing, order-to-payment processes slow and cumbersome
- Negotiations lack fact base and teeth
- Contract management spotty

Performance management

- Few metrics, little performance data
- Limited accountability for suppliers and procurement team

Technology infrastructure and tools

- Fragmented and antiquated systems
- Poor data collection and management practices
- Insufficient use of technology-enabled procurement tools



Recommendation: establish a center-leading procurement authority with a strong mandate

Vision

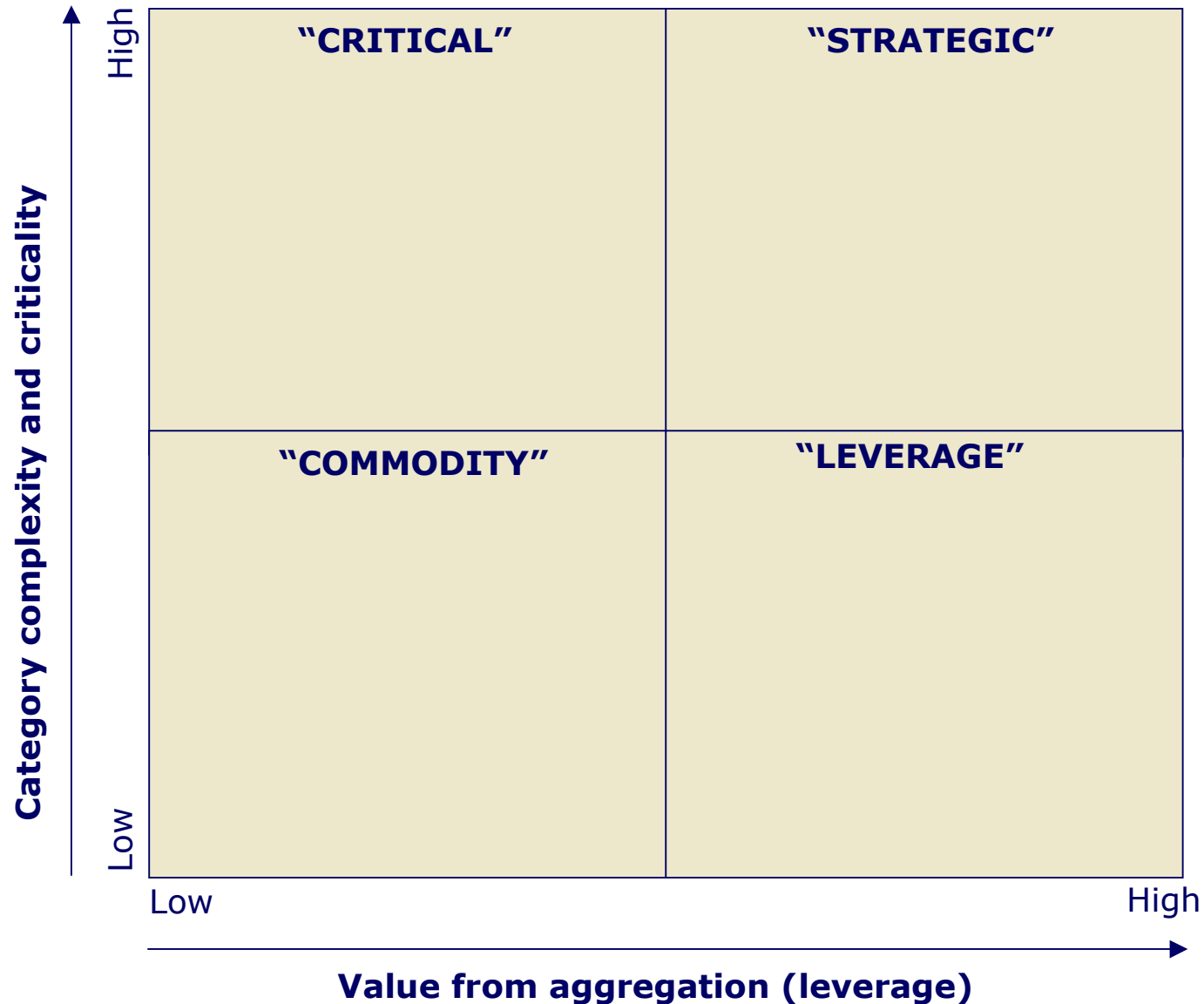
- Leads Total-Cost-of-Ownership (TCO) reduction for State
- Defines procurement roles / responsibilities across stakeholders according to category characteristics, rather than spending thresholds
- Sought-after entity for high potential talent and career advancement

Discussion/rationale

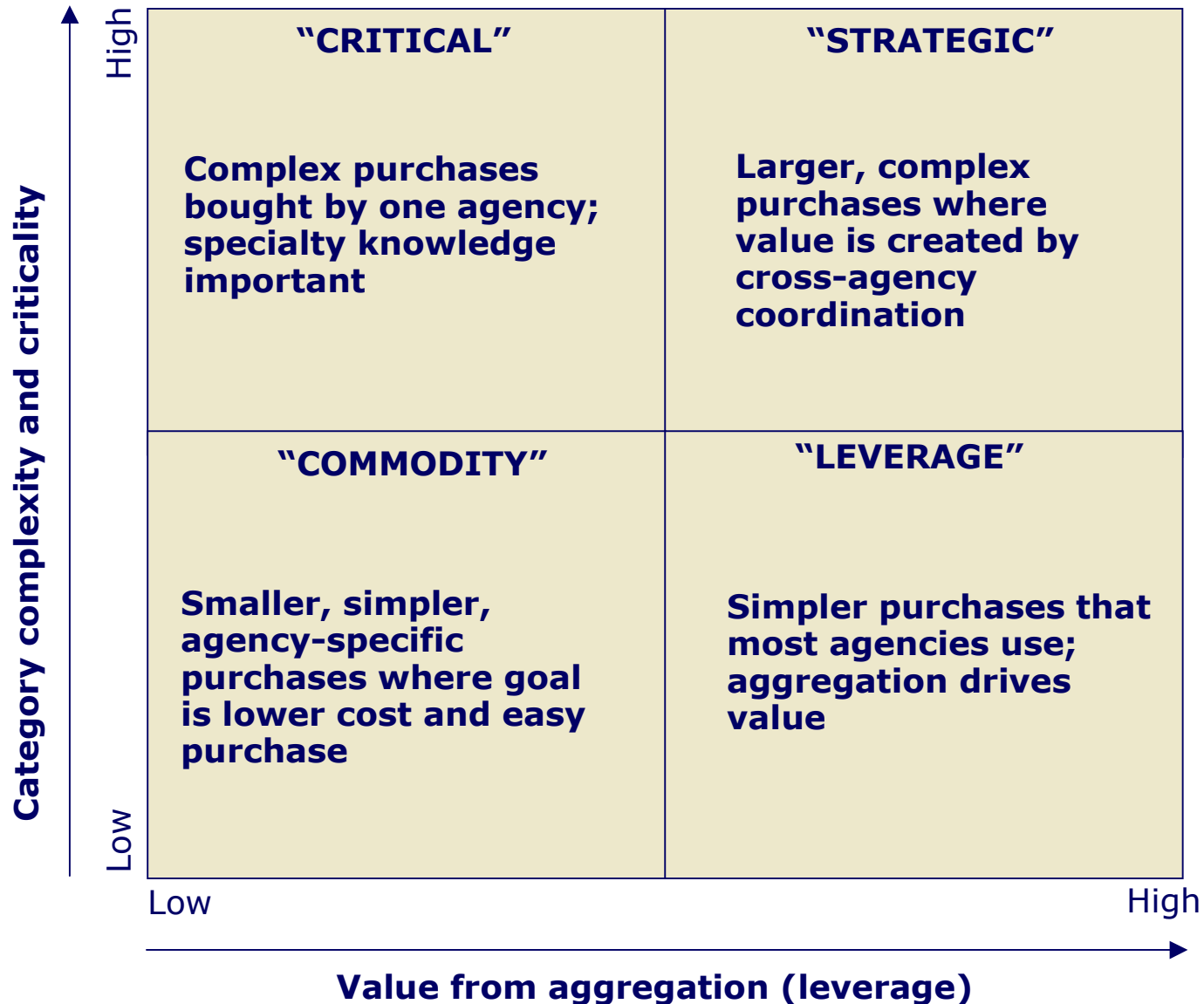
- Redefine and restructure current organization
- Assign spend roles / responsibilities to natural owners
- Establish single point of contact for procurement
- Focus agencies on core missions
- Proven, best practice model, adopted from private sector



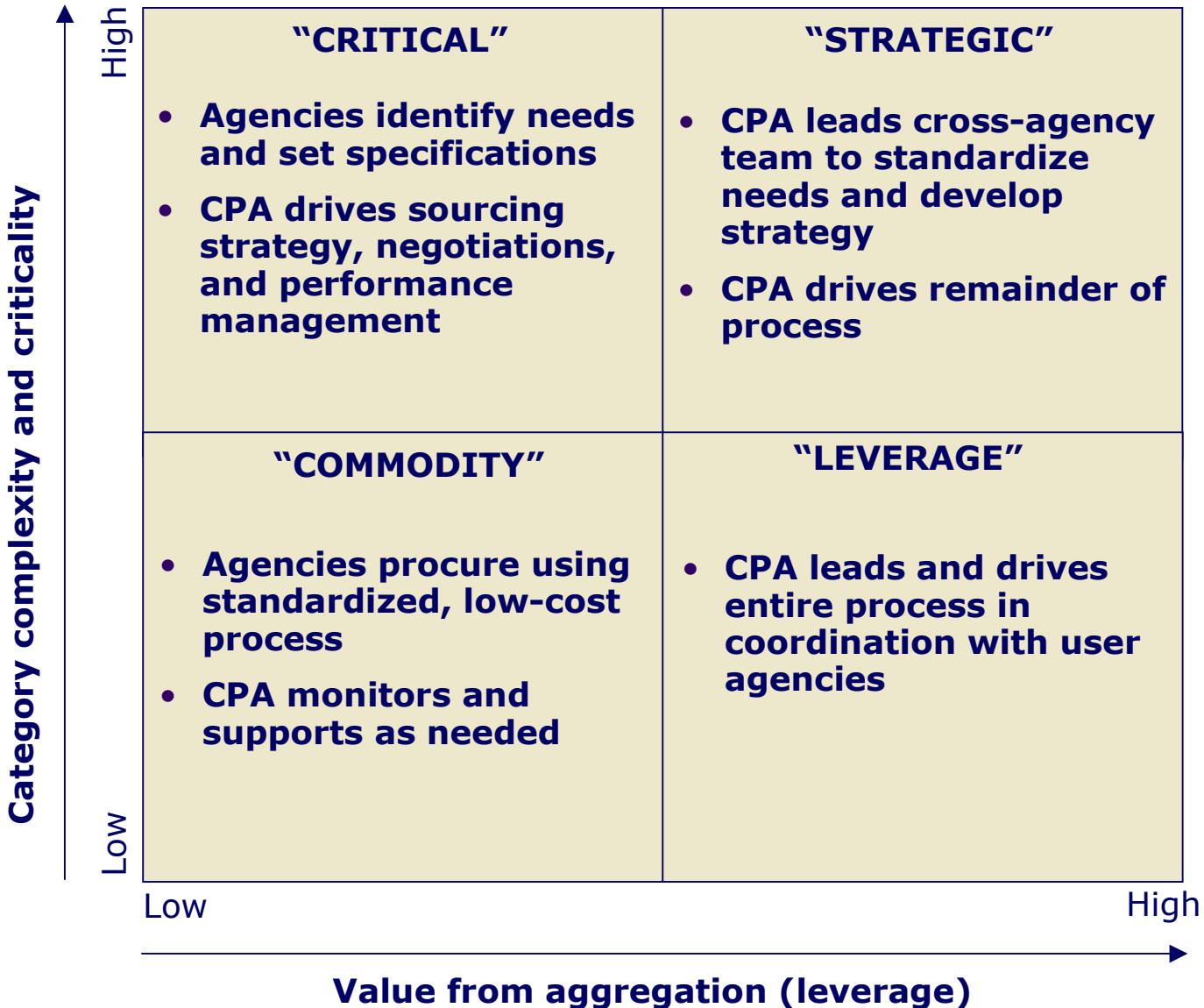
Natural owners model to assign procurement rights



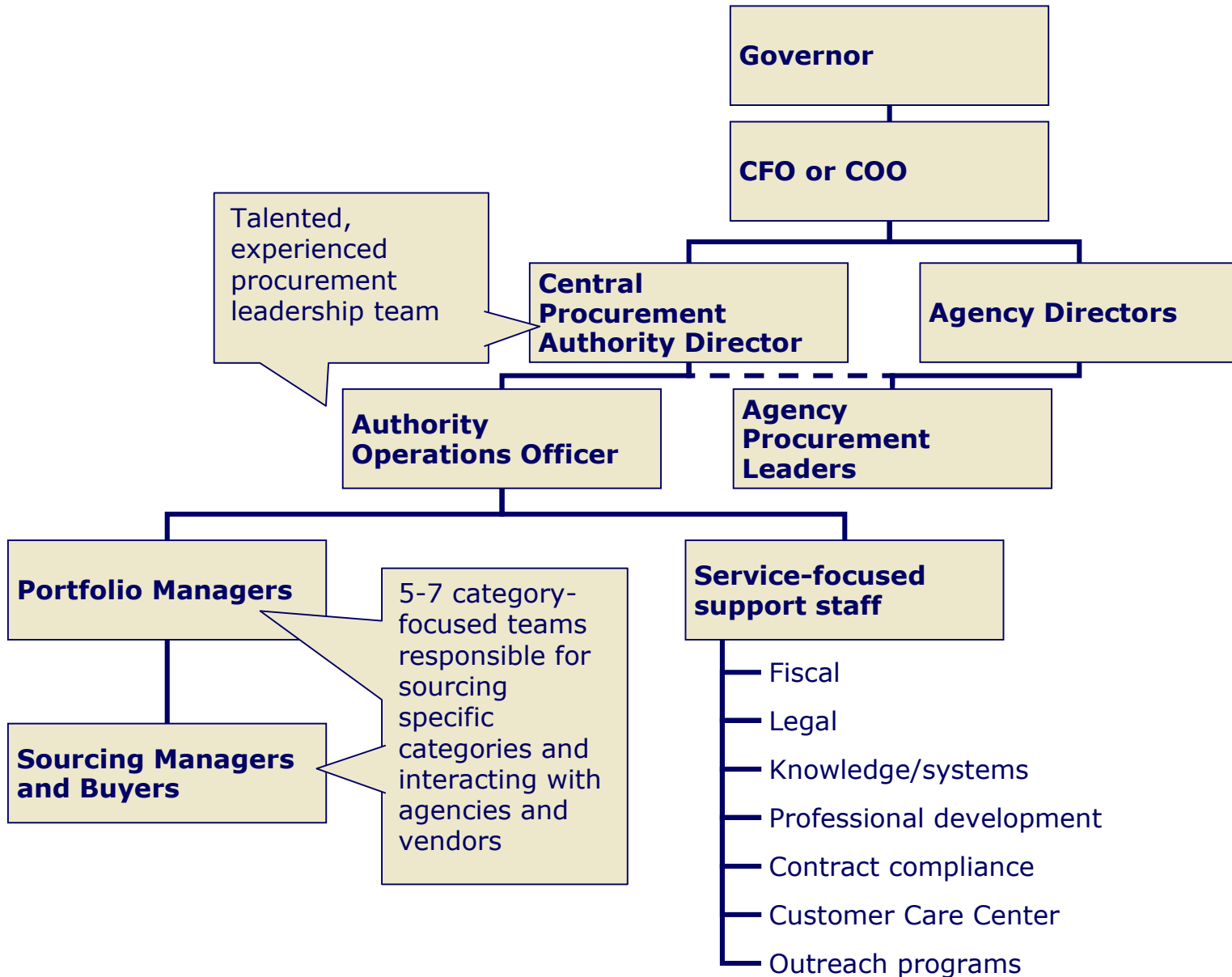
Natural owners model to assign procurement rights



Natural owners model to assign procurement rights



Center-leading procurement organization



Recommendation: significantly strengthen capabilities and performance culture

Processes

- Embed 5-step best practice sourcing process
- Establish contract and category management
- Further automate order-to-payment

Faster, easier, cheaper purchasing

Skills

- Recruit 20-30 senior and mid-level sourcing experts
- Revamp training

Win war for talent

Technology

- Clean/collect spend data now
- Pilot e-sourcing tools to build excitement
- Define e-procurement strategy

Capture automation and control benefits

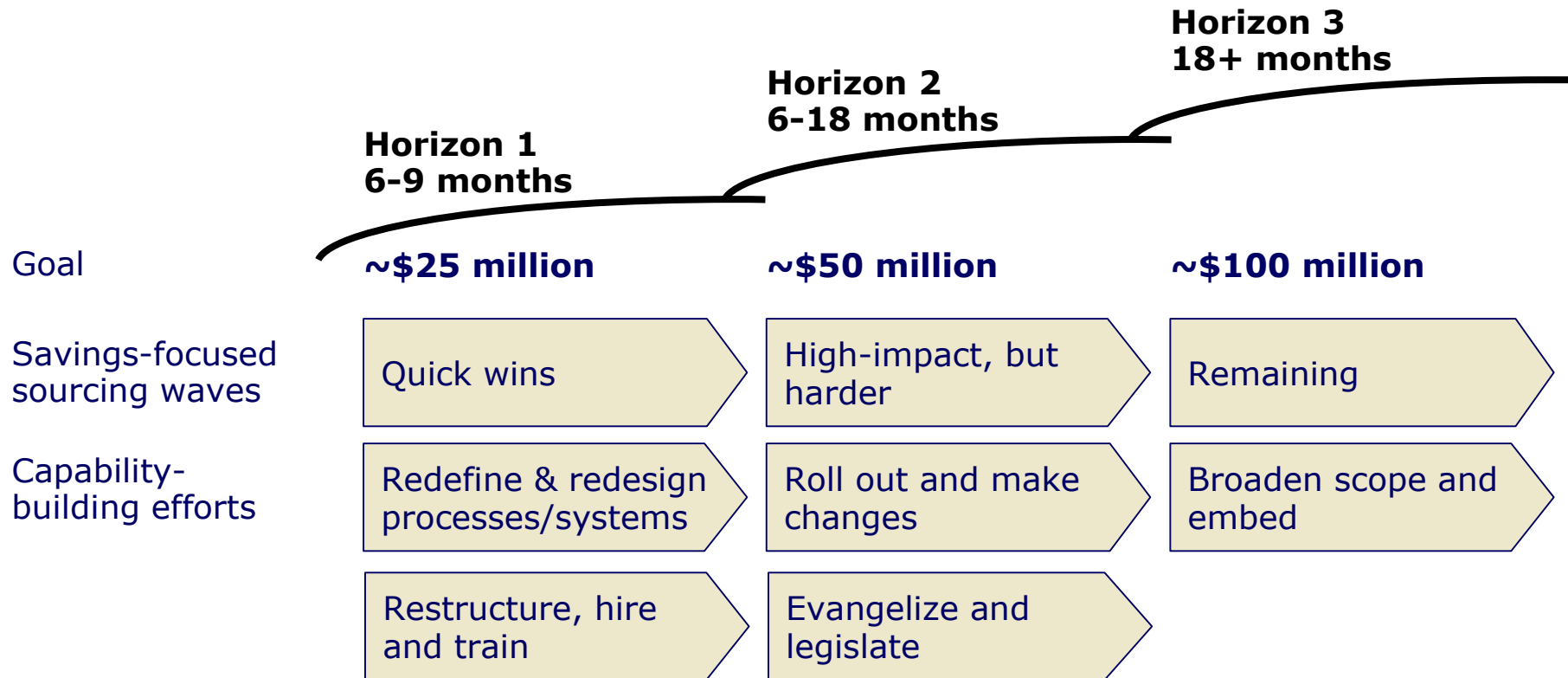
Performance

- Establish balanced scorecard
- Build performance-based management culture

Raise standards and sustain change



Recommendation: launch transformational initiative to redefine role, save money and build capability



Recommendation: take action over next 90 days to capitalize on momentum built through this effort

- Define overall priority and implementation organization
- Secure investment funding
- Identify/hire transformation leader
- Prepare/issue executive order laying out overall aspiration, organizational model, interim authority levels, roles, responsibilities, and new leadership
- Draft and issue RFP for external help to support transformation
- Develop communications strategy and begin to execute
- Identify required legislative changes

