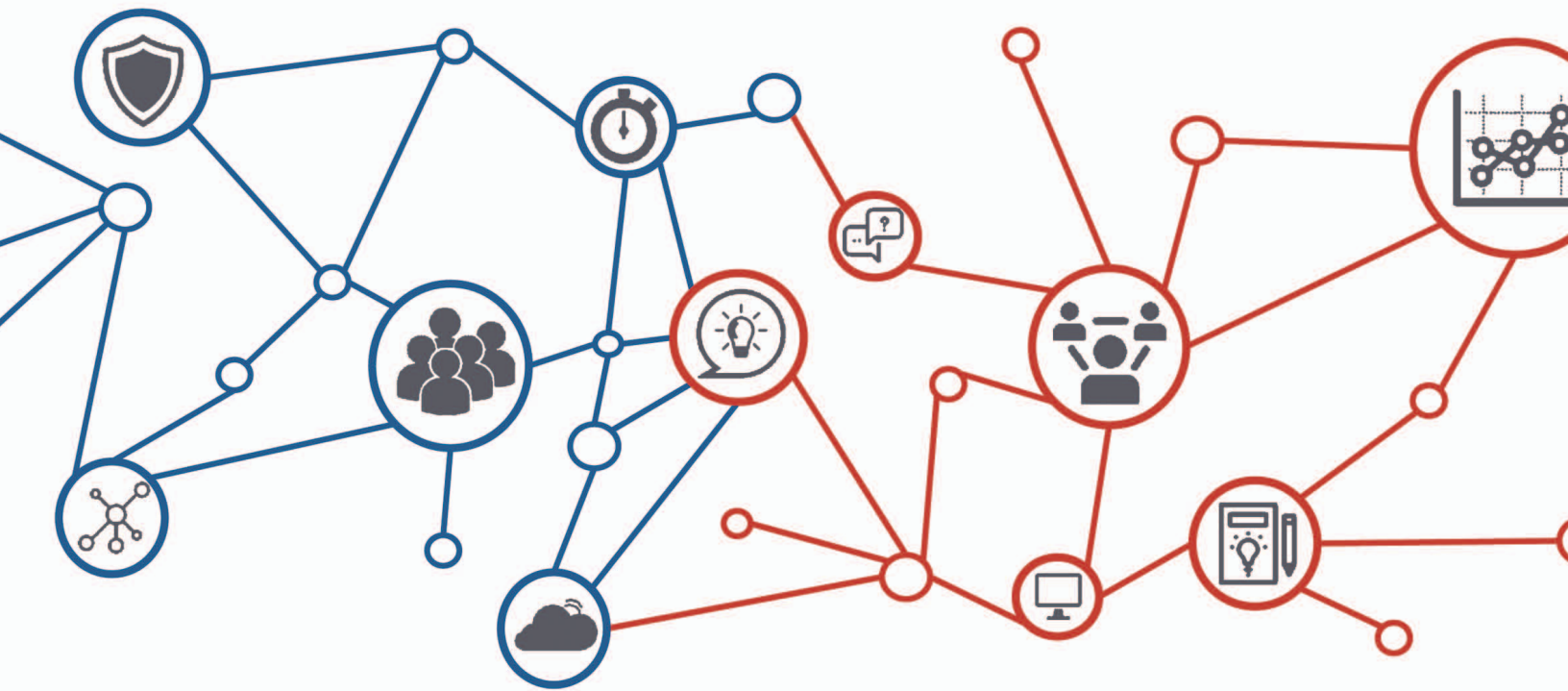




State IT Procurement Negotiations:

Working Together to Reform and Transform



ACKNOWLEDGEMENTS

We thank state CIOs and CPOs for participating in this important work. We also thank the task force co-chairs, Sarah Hilderbrand and Jim Smith, for their dedication and leadership. Special thanks to Dr. Joanne Hale, the former CIO of Alabama, for her contributions to the case study on relationship building.

We would also like to thank the following for their contributions to the task force and this publication:

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TABLE OF CONTENTS

Acknowledgements.....	inside front cover
Origins and Goals of the Joint Task Force.....	2
Recommendations for Improved State IT Procurement	3
The Pre-Workshop Survey	4
The Workshop and Recommendations	8
Relationships Matter: Case Studies and Recommendations.....	11
The Road Ahead.....	15
NASPO-NASCIO Joint Task Force on Negotiations in IT Procurement Recommendations	16
Implementation Methods.....	18
Appendix A – States Participating in Pre-workshop Survey	19
Appendix B – Joint Task Force Members.....	20

Origins of the Joint Task Force

The National Association of State Chief Information Officers (NASCIO) and the National Association of State Procurement Officials (NASPO) have been working together for nearly two years on the shared priority of state information technology (IT) procurement reform and transformation. While it is true that chief information officers (CIOs) and chief procurement officials (CPOs) have a joint interest in collaboration to improve IT procurement, they face many challenges as states work to reform legacy procurement systems while keeping pace with the rapid and continuous changes of the technology landscape.

In early 2016, NASCIO released, and NASPO endorsed, “Recommendations for Improved IT Procurement” (see opposite page). In July 2016, NASPO invited NASCIO to convene a joint roundtable that brought together CIOs and CPOs to tackle issues related to the dimensions of governance and organizational structure, interaction and processes, and budgeting and forecasting (www.naspo.org/ITroundtable). After taking these initial steps toward deeper engagement and partnership on these important issues, early in 2017, NASPO invited NASCIO to form a joint task force on negotiations in IT procurement.

The task force, co-chaired by Sarah Hilderbrand, Idaho CPO, and Jim Smith, Maine CIO, was formed to focus

on one of the five recommendations agreed upon by NASCIO and NASPO in early 2016: “improve the negotiations process.” The goals of the task force include identifying current best practices and challenges in the state IT procurement negotiations process; evaluating legislative and policy changes needed to improve the negotiations process; and building relationships among state CIOs and CPOs. The majority of CPO and CIO participants came to the task force in pairs from their respective states, working together across agencies to communicate and solve difficult problems.

As part of the work of the task force, CPOs and CIOs across the country were surveyed on topics related to IT procurement and, specifically, negotiations of IT awards and contracts. In the end, 40 states responded to the survey questions and provided invaluable feedback to NASPO and NASCIO on these important issues.¹

This publication brings together responses from the joint task force survey, the work of the task force members on the key issues of IT procurement and the results of a workshop where task force members came together in person to talk about best practices in IT procurement, the relationships between CPOs and CIOs and their staffs, and the legislative and policy landscape for IT procurement negotiations.²

“We cannot continue to solve IT issues with old technology solutions.”

¹ For a list of states that responded, please see Appendix A. Please note that all survey responses have been anonymized.

² The statistics presented in this paper have been aggregated, and all quotations and comments are included without attribution. The task force wanted to foster open and honest communication among task force participants and survey respondents. The case study reports are an exception—quotations are attributed as permission was granted by the speakers to do so.

Recommendations for Improved State IT Procurement

Remove unlimited liability clauses in state terms and conditions

As of 2016, 38 states have eliminated unlimited liability.

Introduce more flexible terms and conditions

As technology options continue to evolve, states must adopt flexible and agile terms and conditions.

Don't require performance bonds from vendors

In order for states to lower costs and create a competitive procurement pool, states need to consider finding ways of leveraging existing protections and adjusting performance bond requirements if necessary.

Leverage enterprise architecture for improved IT procurement

The procurement process should be adjusted to recognize and align with enterprise IT strategies, architecture and standards based acquisitions.

Improve the Negotiations Process

Implement rules for using competitive negotiations to facilitate "give-and-take" between buyer and seller.

For more information and resources, please visit **www.nascio.org/procurement**

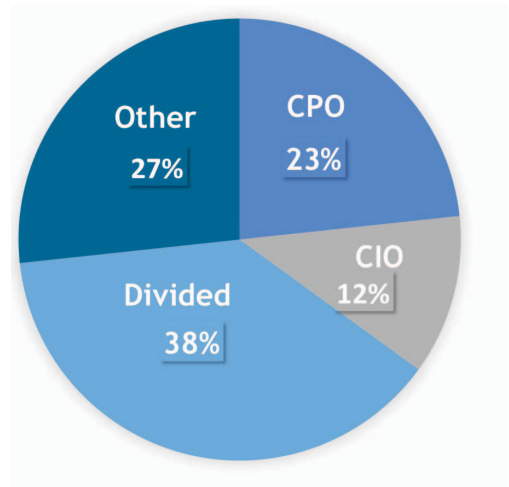
The Pre-Workshop Survey

The joint task force survey was built with the objective of creating a baseline of information on the current status of what states generally are doing when it comes to IT procurement; and asked NASCIO and NASPO members to share their practices, including how the IT procurement process works in their states, whether that current process is effective and whether they are negotiating during IT procurements. Allowing the states to evaluate where they are currently in the process of modernizing IT procurement was an important step toward a discussion about how to move forward with modernizing those processes. The survey also focused on the specific questions about negotiations, such as whether states are negotiating during IT procurements, details on how and when they are negotiating, and the effects of that process on IT procurement as a whole.

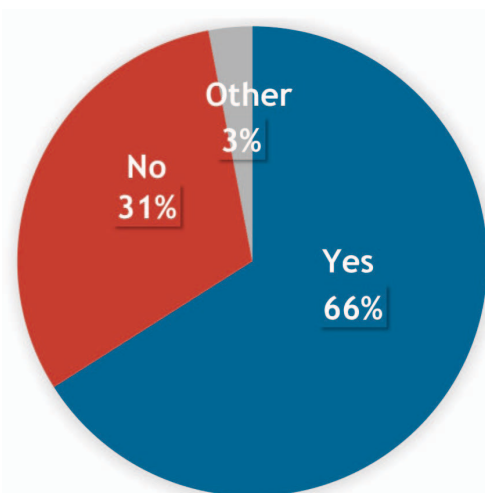
The following data focuses on the broad overview of the current status quo when it comes to IT procurement processes.

In your state, all IT procurement is handled by:

Most respondents who answered “divided” or “other” to this question stated that IT procurement authority below a certain threshold, or that meets certain requirements, is delegated to individual agencies, and/or that the CIO has a certain level of authority over IT procurement, even if it is “owned” by the central procurement office—which is also an issue addressed in the next question. It appears that there is no one size fits all model when it comes to where the authority for IT procurement lies—every state is different, and those differences must be taken into account when considering solutions for the issues that affect everyone.



Does the state CIO's office have authority over all state IT purchases, even if they do not “own” IT procurement?



These results show that in most states, the CIO has an established and recognized authority level in all state IT purchases, even if IT procurement is not centralized under the CIO. This may present an opportunity to focus on using the oversight of the CIO to assist in standardizing the IT procurement process.

The following question, which was only asked of those respondents who said their state was using negotiation, measures the effectiveness of the procurement process generally.

How effective would you say your current IT procurement process is, considering the following:

	Very Ineffective	Ineffective	Neither	Effective	Very Effective
Getting the most cost-savings for your state?	0	12%	20%	58%	10%
Getting the best value for your state?	0	8%	24%	53%	15%
Getting the most innovative technology for your state?	0	15%	31%	44%	10%

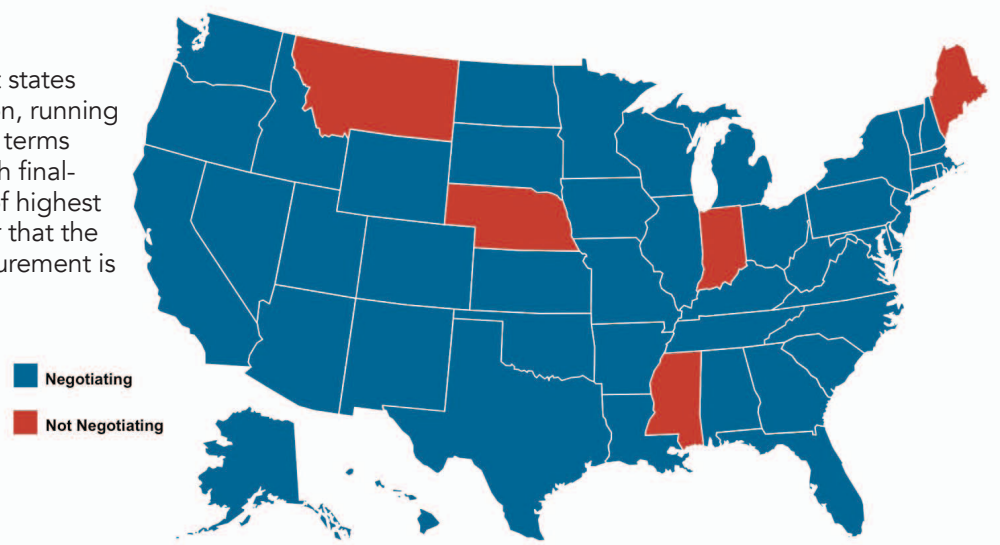
Most CPOs and CIOs agree that current procurement processes are effective when it comes to cost-savings and best value, but as the graph illustrates, there is some debate about whether it is leading to the acquisition of the most innovative technology for the state. It was discussed among task force members whether this is an issue of semantics—that CIOs and CPOs mean different things when they say something is “innovative”—or that the current processes are not structured in a way that ensures that the most innovative solutions

are brought to the states. The task force agreed that this is an ongoing conversation that CPOs and CIOs should have to improve outcomes and satisfaction levels with state technology purchases.

The survey also included a series of general, informational and open-ended questions specifically regarding negotiations. Most states are negotiating, but when, how and what they negotiate runs a broad spectrum.

Who Is Negotiating?

This map demonstrates that most states are using some kind of negotiation, running the spectrum from negotiation of terms and conditions to negotiating with finalist vendors in descending order of highest scoring. However, it is made clear that the concept of negotiating in IT procurement is alive and well in our states.



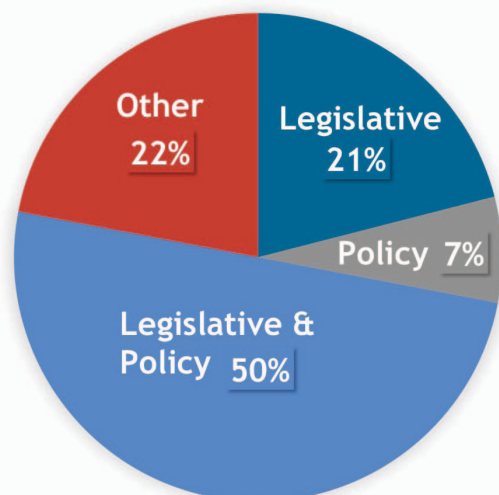
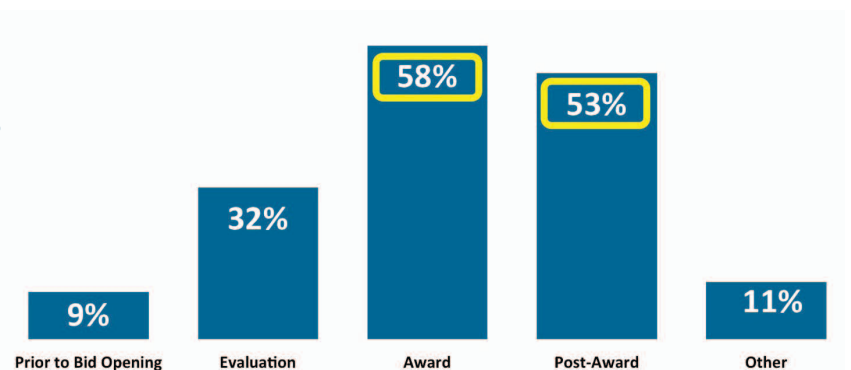
What are states able to negotiate?

By asking the states that are negotiating to tell us when in the procurement process they are utilizing negotiation, a clear trend emerges toward award stage and post-award stage negotiation. Further, states listed a myriad of specific areas where they are able to negotiate, including scope of work, pricing, terms and conditions, liability and insurance, roles and responsibilities, timelines, and delivery specifications. As reflected in the recommendations of the task force, it is important to have the conversation as early as possible in the procurement process about what will be negotiated, and when during the process negotiations will take place. If everyone working on the procurement is on the same page about those decisions, strategies can be developed to help ensure a successful negotiation and procurement.



If you are able to negotiate, at what stage of the procurement process are you using negotiation?

Respondents (53 total) chose all that apply.

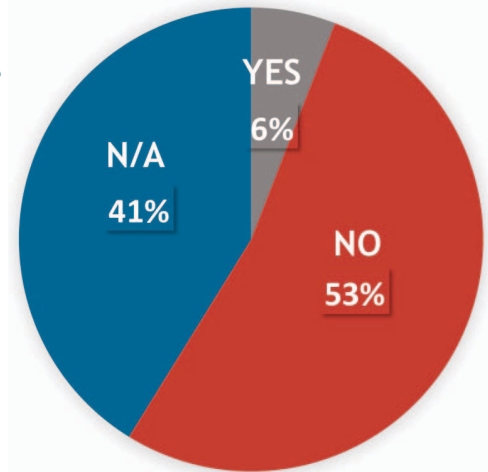


In order to begin using negotiations in IT procurement, what changes would be required in your state?

Half of all survey respondents said that both legislative and policy changes would be required in order to begin using negotiations during IT procurement. However, as task force members observed, this does not always preclude CPOs and CIOs from coming together to determine if there are any steps toward negotiation that could be made without broad-sweeping legislative changes.

Were you involved with the process of making the changes to the code/statute/policy required to negotiate in IT procurement?

For states that are currently permitted to negotiate, we asked CIOs and CPOs if they were involved in the process of making changes that allowed negotiations. Unfortunately, only 6% of respondents said they were involved in that process. The recommendations deal with this issue, suggesting that CPOs and CIOs work together to achieve executive action and legislative authority to allow negotiations that will benefit the state and provide best-value for all IT procurements.

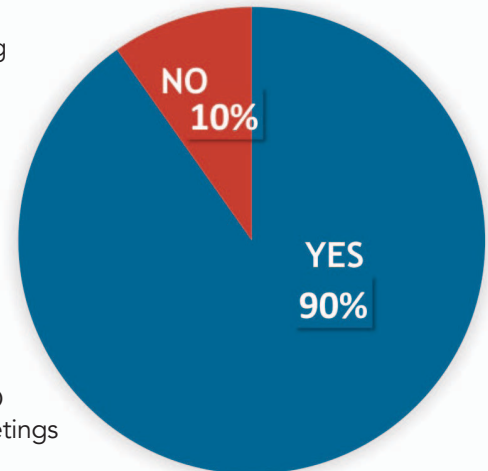


If your state uses negotiation during IT procurement, has that been beneficial to your state?

CPOs and CIOs were also asked about their ideal process for negotiations if they had no constraints on the process. Many respondents discussed the need for negotiating with more than one vendor at a time, with one CPO saying it would “provide more flexibility.” Several also stressed the need for improved communication and open dialogue with the private sector on “what we intend to do to get the latest thinking on options to accomplish the goal.” Finally, one CPO said the ability to “negotiate prior to the award and be able to walk away from the table with no restrictions or risk of protest” was on their wish list.

Joining together to make the changes required to allow negotiations during IT procurement is so important because, regardless of what, how or when states are negotiating, CIOs and CPOs overwhelmingly agree that negotiations have been beneficial to the states.

Finally, we also asked a series of open-ended questions for CPOs and CIOs to share their opinions on select issues. First, the survey inquired about safeguards to put in place to ensure flexibility while maintaining reasonable process times for IT procurements. One CIO said the “increased usage of cooperative purchase agreements with pre-established terms and conditions and competitive pricing for commodities and services” would be beneficial. Another CPO advised to, “create [a] process that allows for innovation, while also showing transparency in the process.” Another CIO said pre-qualifying vendors would be helpful and, “pre-RFP face-to-face meetings with qualified vendors” would be a useful undertaking.



Respondents were asked to explain their answers and many stressed the beneficial cost savings and streamlining of the process. One CIO said, “beyond negotiating better services, pricing, etc., the time spent working closely with vendors allows us to establish a closer working relationship with vendor personnel.” One CPO said, “if you’re seeking a valuable partner that will last over time, then you need to negotiate the relationship, requirements, roles, expectations, etc. If all you want is a commodity, then go for the low price, but prepare for do-overs, miscommunication and complaints.”

No states responding to the survey are negotiating with more than one vendor at a time pre-award, similar to a typical private sector style negotiation. In order to begin using negotiations in that matter, the majority of states said they would have to have legislative AND policy changes.

***“IT is a different class of acquisition,
by nature a solution business.”***

The Workshop and Recommendations

Based upon these survey results, open-ended responses, group discussion and a review of state statutes and code, four focus areas were identified: procurement process partnerships; centralization of IT procurement; policy and legislation strategies; and CPO/CIO relationship building. The task force participants divided into smaller work groups based on these four focus areas.

After small group work was completed, the task force members held a face-to-face meeting in early August of 2017, to discuss the issues associated with reforming IT procurement and improving the use of negotiations in that process. While at the workshop, task force members heard the results of the survey sent to CPOs and CIOs, met in small groups to discuss the recommendations and develop implementation methods, and discussed strategies to improve the CPO/CIO relationship for the benefit of the state.

Participants at the workshop discussed the difference between how each state defines “negotiation,” and how differing statutes and procurement codes mean that each state should determine what is best for them when it comes to negotiation methods. The small group efforts and the workshop outcomes are reflected in the recommendations and implementation methodologies collectively listed at the end of this publication.

Centralization of IT Procurement

As with any complicated process in modern government, success only comes with a clear understanding of roles, responsibilities and organization. Projects can and have failed because teams lacked strong leaders, clear marching orders and/or a shared vision. Centralized IT procurement allows for controlling costs for the taxpayers and leads to a collective vision for the future of state technology. Having both enterprise architecture driven and centralized IT procurement reduces confusion and chaos, and helps give the needed direction and vision, no matter which agency “owns” IT procurement.

The work group recommendations are as follows:

- Centralize the IT procurement management process under one umbrella to increase and leverage the state’s buying power, save the state time and money, and ensure clarity in roles, responsibilities and best practices.
- Don’t focus on who “owns” IT procurement; focus on having the tools needed for successful IT procurements.
- Use centralization of IT procurement to increase awareness and visibility and to maintain and strengthen subject matter expertise in the state’s enterprise architecture.
- Stay or become aligned with the state’s enterprise standards and architecture-driven technology plan.
- Use centralized IT procurement for better vendor management, metrics and performance—all of which contribute to improved negotiations, streamlined terms and conditions, and cost savings for the state.

This work group recognized that IT procurement is a collective effort – encompassing many agencies and interests. When everyone comes to the table to discuss and agree on a shared vision for each procurement, standardization of processes and keeping in line with the state’s enterprise architecture, centralization starts being second nature. This alone can lead to cost-savings for the state by driving standards to the center. The work group did recognize that there is a difference between standardization of a tool and centralization of process—but saw the value in both.

Procurement Process Partnerships

In the survey responses, many CIOs and CPOs stated that meeting early and often was a key component in successful IT procurements, and the survey results revealed that CIOs and CPOs are, generally, meeting and communicating on a regular basis. The survey also asked specific questions about when and how the CIO is involved in the procurement process. This work group explored this issue and discussed whether the heart of the matter is an issue of quantity over quality—whether the frequency of meetings is less important than the ideas exchanged and the level of understanding between offices—and how to improve the quality of the CIO involvement in the procurement process to benefit everyone and reach better outcomes.

The work groups recommendations are listed as follows:

- Cross-educate CIO and CPO teams and appreciate the perspective of both teams to ensure an understanding of priorities and objectives, defined roles and shared terminology.

- Establish a central point of contact in both CPO and CIO offices to promote better communication and workflow.
- At the beginning of the procurement process, determine if it is permissible to negotiate and, if so, when and what to negotiate.
- Work with all parties—including those from the private sector—to establish a process that increases flexibility and communication.
- Craft Requests for Information (RFIs) and Requests for Proposals (RFPs) in a manner to encourage solutions from the private sector rather than focusing on overly prescriptive specifications.
- Use iterative/non-waterfall procurement methodologies when appropriate to improve procurement cycles, add flexibility and reduce risk.

Sharing information across all agencies involved in the procurement process can improve the chances that when everyone comes together to work on a procurement, they are all speaking the same language, and have the same goals and objectives in mind. Creating this cohesion of thought and process increases understanding and allows for innovation to find a place in the discussion. In other words, being able to get beyond the basics and into a deeper conversation about the problems being solved with the IT procurement in question can lead to better solutions for the state. Establishing a central point of contact in the CPO and CIO offices increases the chances that information is flowing where it needs to go, and that the right people are coming together to discuss the important topics of the moment.

“If requirements or evaluation criteria are not well defined, those are often looked at as the reason why some deals fail.”

Sitting down together at the very beginning of a procurement process—before the RFP is written—allows all key stakeholders to explain what they hope to gain with the procurement. With a shared understanding of what is at stake, what problem needs to be solved, and what specifications are required to solve the problem, the discussion can turn to whether that particular procurement lends itself to the use of negotiations. If so, what specifically should be a point of negotiation, and when would it be best to have that conversation with potential vendors.

Having as much open conversation with the private sector during the procurement process as is permissible and appropriate can lead to meaningful results when it comes to how useful the end-product ultimately procured will be for the state. Using the RFP or RFI to communicate to the vendor community what problem is trying to be solved can allow the vendors to present potential solutions that might not be on the radar of the procurement team. This can lead to a tailored product that may even exceed expectations.

“Approach the RFP process differently. Solve a problem rather than simply buying something.”

Non-waterfall, iterative procurement methodologies, such as Agile and Lean, are already being adopted in some states, and these methodologies have the potential to dramatically improve procurement process times and satisfaction levels with the end-products. These methods might not be a “silver bullet” to all IT procurement issues, but CPOs and CIOs can and should work together to determine if use of non-waterfall procurement methods would lead to better and more innovative IT procurements for their state.

“It’s difficult to negotiate when you are already wired for the outcome.”

Policy and Legislation

In state government, a lack of modern or reformed legislation is often cited as a barrier to innovation and success. Sometimes states may have to embark upon a rigorous legislative change process to improve. However, sometimes legislation isn’t required, and policy and cultural changes can have the biggest impact when it comes to IT procurement reform.

The work group recommendations are as follows:

- Work together to achieve executive action and legislative authority to allow negotiations to benefit the state and provide best-value for all IT procurements.
- Leverage cooperative purchasing, master service agreements and pre-qualified vendor pools, when appropriate, to achieve the best value for state IT procurements.



- Be flexible, but maintain consistency when interpreting internal policy and procurement code to promote a culture of innovation while balancing risk.
- Explore small scale IT procurement negotiations to build the case for widespread adoption.

Executive buy-in can sometimes mean the difference between a successful IT procurement reform effort and a failed attempt. CPOs and CIOs can work together to achieve the kind of support they need from the top by strategizing on the best way to explain what kind of reforms they want to take on and preparing joint proposals on those ideas; many voices make for a message that is more difficult to ignore.

Having tools in the shared toolbox like cooperative purchasing, master service agreements and pre-qualified vendor pools can prove invaluable when improving the way IT procurements are handled. Coming together to agree on methods for implementing those tools, and/or working out how to best use the tools currently available, can go a long way toward fostering a shared sense of ownership and responsibility for choosing the best methods for each individual procurement. If those tools are not available, the CPO and CIO can work together

to determine what tools would be best used in their state and encourage the adoption of those by executives and legislators.

“We must change the perception that what we strive for in government is acceptable mediocrity.”

There is a perception that procurement officials are often held back from pursuing innovation by the amount of risk involved with large IT procurements. Procurement officials are always thinking about how to best balance risk and the desire for innovative solutions—but that does not preclude all potential for moving the productivity needle. This is where cross-education can again come into play. CPOs can help CIOs understand where the risk resides, and, on the other hand, CIOs should see the CPO as a trusted advisor, and not a roadblock. Risk must be managed, and the best interests of the state must always be first and foremost—both CPOs and CIOs agree on that point and can work together to find ways to move forward without taking on more risk than needed.

“We must be able to do experimental projects around innovation without the fear of failing.”

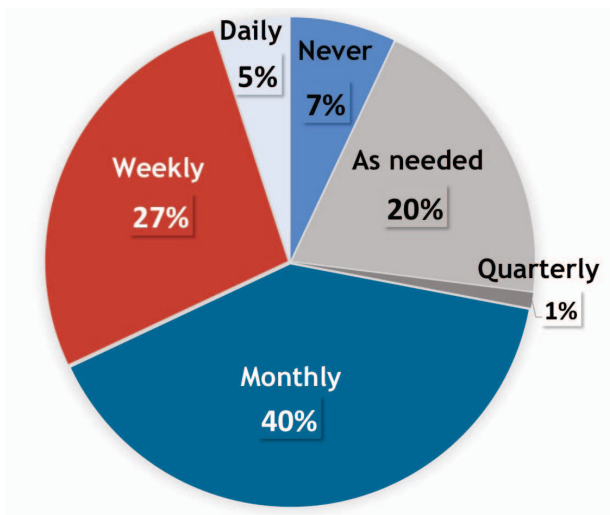
Relationships Matter: Case Studies and Recommendations

Throughout the work that the task force took on, one common thread seemed to emerge—the health of the CPO and CIO relationship can significantly affect the IT procurement process. Every work environment will have challenging personalities and situations, and those issues are only magnified under the intense microscope of state government. If it seems for a moment that the task force emphasizes relationships too much, consider how the serious external challenges faced by state procurement and IT can be made exponentially worse if there is internal strife as well.

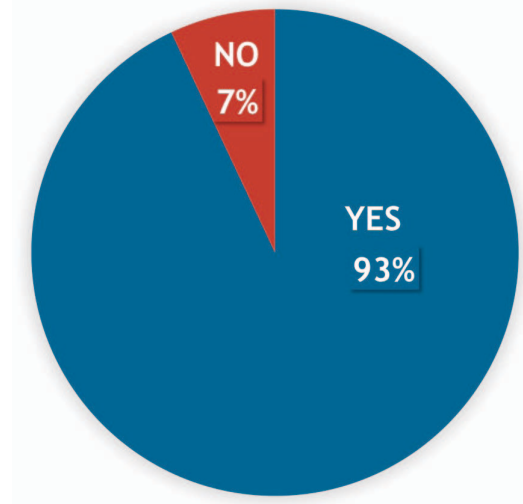
A section of the survey focused specifically on “taking the temperature” of the CPO-CIO relationship. CPOs and CIOs have often heard that you must meet “early and often” during the IT procurement process to ensure that everything will go well. The survey asked respondents whether they are doing that in their states. Overwhelmingly, they indicated they are. Further, they reported meeting fairly frequently, either weekly or monthly, and that their staffs meet as well.

“As much as we want to think that everyone is on the same page, there is always another perspective.”

How often do you meet with your CPO/CIO?



Does your staff meet with the CPO/CIO staff?





While the Procurement Process Partnerships work group discussed the implications of this data when it comes to the communication surrounding the actual process of IT procurement, it also has application when it comes to the relationship between the CPO and the CIO. The data again begs the question—is what is happening an example of quantity over quality? This led to a focus on the CPO-CIO relationship, including what was working for those who had a good working relationship, and how to gain improvement for those who were struggling to effectively communicate.

An open-ended question on the survey asked CPOs and CIOs to say what changes they would like to make to their relationship. The responses called for increased communication; cross-collaboration and education; and clarification of roles, responsibilities and challenges. Many CIOs and CPOs reported having good relationships that they believed required no change. In fact, there were a few CPO and CIO pairs that work so well together, they jointly submitted their survey responses.

Two of those pairs were Michael Jones and Joanne Hale from Alabama, and Betsy Hayes and Tom Baden from Minnesota. These CPO-CIO pairs exhibited many of the traits that make for successful IT procurements: collaboration, respect, professionalism, and the shared desire to make the best decisions for the state and the citizens. Jones, Hale, Hayes, and Baden agreed to participate in case studies on their relationships. They also worked together to agree on a set of recommendations focused on the improvement of the CPO-CIO relationship to the betterment of IT procurement. These recommendations, as follow, can be seen woven throughout the case study summaries:

- Base communication and interaction on the assumption that the other party has the best intentions and is working in the best interest of the state. Ensure there is clear communication among all staffing levels.
- Cross-educate and train to ensure that everyone involved in the IT procurement process is aware of the expertise and value brought to the table by all parties.
- Clearly define roles and responsibilities, identify and address key challenges in the IT procurement process, and collaborate to proactively plan and streamline each IT procurement.

Task Force Case Study Part I: Alabama

Authors' note: Former CIO Joanne Hale has since moved on from her role with the State of Alabama, but we spoke with Hale and current CPO Michael Jones before her departure.

Michael Jones, CPO, and Joanne Hale, CIO, have maintained a highly effective and enviable working relationship throughout their years together, and shared many of their keys to their success. Jones and Hale knew each other before working together in their roles, but still had to work and prioritize building the kind of CPO-CIO relationship that would lead to the most benefit for the citizens of Alabama.

Jones recalls his very first meeting with Hale as the incoming CIO. He said that she sat down across the table from him and simply said, "How can I help you?" He had never heard that from a CIO before, and so he began to share challenges with her. When he was done, he asked her the same question—how can I help you? And with that, they began a dialogue that continued throughout Hale's tenure with the state of Alabama.

Hale sees procurement as "providing the continuity of policy and practice" that is needed in state government to allow the transitions that so often occur in administration to go as smoothly as possible, and ensure that best practices are followed. Jones said that he and Hale have "mutual respect for one another's roles," which leads to the ability to always be willing to rely on one another for subject matter expertise as needed. While the procurement office makes sure that policies and procedures are followed, the Office of Information Technology (OIT) can ensure that the right IT is procured in the end—and this symbiosis is what leads to the best IT procurement outcomes.

On a daily basis, Hale and Jones said that they strived to make themselves and their staffs available to one another. Unlike the majority of survey respondents, Jones reported that he and Hale did not have a regularly scheduled meeting every month or week, but rather collaborated on a continuum. This once again illustrates the idea of quality over quantity—Hale and Jones illustrate that a great relationship can exist without prescriptions for meetings or interactions, but instead a focus on the organic cooperation that comes from constant commu-

nication and sharing of ideas. Not to say that standing meetings cannot be beneficial—they certainly can, and each individual CPO-CIO pair should determine what works best for them.

Hale said that she believes it is important to “get the purchasing group involved up front—at the beginning. Not waiting until [OIT is] ready to take procurement action to call them, but involving [procurement] from the very beginning, so that there is a partnership instead of a “go” or “no go” decision at the end.” Additionally, Hale praised the fact that Jones asks his team to always “find a way to yes,” which leads to collaboration and success instead of roadblocks.

“We don’t have the laws to keep up with the pace of changing technology, but let’s find a way to work together and come together with a solution that is in the best interests of the state.”

Good leadership always starts at the top. Jones and Hale believe that it is their responsibility to set the example for their staffs to have positive relationships. Jones notes that historically, there have been difficulties between the procurement and OIT offices, but says that changing the attitude to one of focusing on education and understanding has led to a feeling that OIT is a partner rather than “other.” Hale added that it is easy to play into the stereotypes for OIT and procurement offices, but that the role of the CPO and CIO is to reinforce the message that everyone is on the same team—working toward what is in the best interests of the state. Hale says, “We have to set the tone from the top, and if we don’t it’s very easy to derail the relationship.”

Hale and Jones parlayed their successful relationship into a legislative partnership that resulted in new law. This new law has created more flexibility for the procurement office, specifically allowing multi-vendor awards and the ability to use cooperative contracts. Hale notes, “If Michael and I didn’t have this partnership, I might have easily said, we’ll come back to that later, but because I knew how much we could accomplish—and push farther—with more flexible procurement language, that

was the one [piece of the legislation] I made sure we kept in.” Jones added, “we don’t have the laws to keep up with the pace of changing technology, but let’s find a way to work together and come together with a solution that is in the best interests of the state.”

Hale believes that the more partner agencies mirror the philosophies of procurement and OIT, the more success there is to be had statewide. An agency within the state was attempting to use a grant to experiment with emerging technologies. That agency had not historically received the support to do such innovative things, and so they tried to avoid the traditional procurement process. Once Hale and Jones reached out to that agency and asked how they could help instead of shutting it down, they prevented an action that was against state policy from happening. No one said “no”—and they all found a solution together. This model of cooperation can lead to so many benefits for both citizens and the state.

Hale and Jones point out that you can’t wait until something goes wrong to act—you must be proactive to ensure successful projects and improvements statewide. They worked together to bring IT and procurement into projects across all agencies at the beginning instead of the end. Jones said, “the biggest thing for me is always to model the behavior that you want, and it will come back to you,” so when agencies have issues, and do something outside of the guidelines or policies, Jones and Hale tried to go together from both a procurement and technology standpoint and meet with that agency together to help them meet their ultimate goals within the bounds of the state’s policies. Jones says that he knows they are being successful in this mission to build a firm foundation of communication when he gets phone calls from agencies asking him to give advice from a procurement perspective up front on a project.

“Both the CPO and the CIO are hired to do what is in the best interests of the state, and so we always have that one commonality and goal, and you can build a relationship around just that. Don’t point the finger—we have to solve this together,” said Jones. Now that Jones is working with a new CIO, he is focusing on building the same kind of relationship with that person as he had with Hale. Hale and Jones illustrate that building a legacy of good relationships between procurement and OIT is essential; as Jones says, always “leave a roadmap for success” for those who come after you.

Task Force Case Study Part II: Minnesota

Minnesota CPO, Betsy Hayes, and CIO, Commissioner Tom Baden, shared the importance of their “positive and collaborative working relationship” in detail. Hayes and Baden shared that their teams work together closely on a daily basis, and over their years of knowing and working together, have developed a deep level of professional respect and trust for one another. This mutual trust and respect leads to one of the major keys of their success—starting with the belief that the other person is always coming from a place of good intent. Baden explained, “You have to build the trust, and you have to work at it every single day, because without that partnership the level of success you are going to achieve is going to be diminished.”

Hayes also emphasized that interaction between the CPO and CIO and their respective staffs must be “intentional and proactive.” Cross-education and allowing staff members to learn from first-hand experience what the other office is experiencing on a day-to-day basis can increase the chances that collaboration will be fruitful. Meeting regularly and with purpose is key to keeping the communication flowing effectively among all employees and the two different agencies. As Hayes noted, “it’s never ideal to find yourselves only getting together once something has hit a problem stage... if the groups are interacting early and accomplishing things together, that’s a recipe for a good relationship.”

Putting the CPO-CIO relationship on the back-burner is inviting miscommunication and problems. “Taking the time to reach out and nurture the important relationship, even though it probably might seem at the time to be the last thing you have the bandwidth to do, I think it is well-worth it. Really carving out the time to get to know your important partners is critical,” noted Hayes.

“There are a lot of folks who look at procurement and ask why they can’t do things faster, and I always say, it has to be done right... [procurement] is looking out for us, and I hope we are looking out for them,” said Baden, illuminating how to re-think an age-old complaint about the procurement process for improved understanding. More often than not, executed IT contracts are going to be in effect for long enough for problems to show themselves if the process is not done carefully and correctly. Hayes also noted that the procurement office cannot just be “the entity that always says no,” but rather must “learn to embrace new procurement approaches and new contracting methods, whether it be Agile or other

methods, that serve the customers’ interests... and understand what [procurement officials] can do within the boundaries of ethics and the law to help agencies succeed in their missions.”

Hayes and Baden shared a sense of the weight that is upon them as leaders to maintain the highest levels of integrity, and that awareness helps them work together to avoid even the appearance of impropriety, maintain respect for the law and trust in one another. All of this collaboration has led to concrete results. Hayes, Baden and their teams were able to work together to secure a cloud contract that was innovative even in the face of the difficulties associated with such an important and often one-sided situation. Partnership is truly the key that unlocks the bargaining power of enterprise-wide projects. Innovation is always pushed forward when there is a team effort behind it. Minnesota is one of the first adopters of the “best-value principle,” and that type of framework has allowed them the ability to be more flexible in their procurement processes.

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is going to be diminished.”***

In Minnesota, staff interaction is neither perfunctory or illusory. Hayes said, “it’s not a matter of someone just sitting at the table from time-to-time, we’re working and we have teams interacting back and forth on a daily basis.” Baden also noted that procurement brings the contractual and legal knowledge to the table, while his agency brings IT knowledge. Together they can creatively and effectively deal with even the most complex and difficult vendor relationships. The CPO and CIO cannot just have a fair-weather relationship; rather, coming together when things are the most difficult can result in the best outcomes.

Hayes recognizes no organization or relationship is perfect, and everyone faces issues of role confusion, but those things can be worked through because of the ease of interaction, communication and trust between the agencies. Baden perhaps put it best—there will always be challenges, but “look at the issue and not each other.”

So what advice do they have for other CPOs and CIOs looking to achieve a solid working relationship? Baden said the first step is to acknowledge that relationship building is “an incredibly important part of our work,” and it should be respected, or it will come back in negative ways. “Dedicate the time and staff resources to do the right things well. It’s not easy—it’s going to be hard—but it’s worth it.” Hayes added, “it’s hard work, meaningful work, but it’s also enjoyable work. Encouraging our staff to come to the table with their best creative minds inspires them to be the best that they can be and really work diligently toward the best interests of the state.”

The Staff Perspective

At the workshop, Justin Kaufman, Enterprise Contracts Counsel, and Chris Buse, Assistant Commissioner for Information Security and Chief Information Security Officer (CISO), both with the state of Minnesota, gave their perspective to workshop participants on building good relationships within CIO and CPO staffs. Kaufman, who works with Minnesota CPO Betsy Hayes, and Buse, who works with Minnesota CIO Tom Baden, both stressed the importance of quality communication at all levels. They also discussed how establishing a central point of

contact in each office and having a visible partnership helps communication and work flow in Minnesota.

Kaufman noted that “having a good relationship matters the most when things go badly.” Buse and Kaufman agreed that you can learn much from mistakes, and instead of blaming one agency or the other, focus on the fact that you fail and succeed only one way—together. Working together to solve the problem is the most immediate need, and later, there can be a conversation about what went wrong, why it went wrong, and how to prevent it from happening again. This “we are all in this together” mentality may seem cliché on the surface, but based on real-life situations brought to the table by Kaufman and Buse, the lesson rings true in practice.

Finally, Kaufman and Buse reiterated much of what Baden and Hayes emphasized—that having strong leadership at the top goes a long way in forming and keeping a good working relationship. CPOs, CIOs and their staffs must work together toward the same goal, making IT procurements successful in their state. Kaufman advised that everyone should “take advantage of your position of influence to be a leader—set an example.”

The Road Ahead

While both NASPO and NASCIO believe the work the task force has completed will contribute to the improvement of the IT procurement process, resting on our laurels is not an option. The conversation that began when CPOs and CIOs came together formally for the first time in the summer of 2016 will continue. Hopefully, the impact of this partnership will make true strides toward improvements for state IT procurement. NASPO and NASCIO are committed to IT procurement transformation and will continue to work together in the future toward our shared goal.

The results of the task force work—the recommendations and implementation methods included at the end of this paper—are intended to guide a discussion about how each state’s CPO, CIO, procurement staff and IT staff can come together to begin to tackle the huge task of improving IT procurement.

***“Procurement and IT are not going to go away,
but they will change—so collaboration must happen.”***

NASPO-NASCIO Joint Task Force on Negotiations RECOMMENDATIONS

Relationships Matter

- Base communication and interaction on the assumption that the other party has the best intentions and is working in the best interest of the state. Ensure that there is clear communication among all staffing levels.
- Cross-educate and train to ensure that everyone involved in the IT procurement process is aware of the expertise and value brought to the table by all parties.
- Clearly define roles and responsibilities, identify and address key challenges in the IT procurement process, and collaborate to proactively plan and streamline each IT procurement.

Centralization of IT Procurement

- Centralize the IT procurement management process under one umbrella to increase and leverage the state's buying power; save the state time and money; and ensure clarity in roles, responsibilities and best practices.
- Don't focus on who "owns" IT procurement; rather, focus on having the tools needed for successful IT procurements.
- Use centralization of IT procurement to increase awareness and visibility and to maintain and strengthen subject matter expertise in the state's enterprise architecture.
- Remain or become aligned with the state's enterprise standards and architecture-driven technology plan.
- Use centralized IT procurement for better vendor management, metrics and performance—all of which contribute to improved negotiations, streamlined terms and conditions, and cost savings for the state.

NASPO-NASCIO Joint Task Force on Negotiations RECOMMENDATIONS

Procurement Process Partnerships

- Cross-educate CIO and CPO teams and appreciate the perspectives of both teams to ensure an understanding of priorities and objectives, defined roles, and shared terminology.
- Establish a central point of contact in both CPO and CIO offices to promote better communication and workflow.
- At the beginning of the procurement process, determine if it is permissible to negotiate and, if so, when and what to negotiate.
- Work with all parties—including those from the private sector—to establish a process that increases flexibility and communication.
- Craft RFIs and RFPs in a manner that encourages solutions from the private sector rather than focusing on overly prescriptive specifications.
- Use iterative/non-waterfall procurement methodologies when appropriate to improve procurement cycles, add flexibility and reduce risk.

Strategies for Policy and Legislation

- Work together to achieve executive action and legislative authority to allow negotiations to benefit the state and provide best-value for all IT procurements.
- Leverage cooperative purchasing, master service agreements and pre-qualified vendor pools, when appropriate, to achieve the best value for state IT procurements.
- Be flexible, but maintain consistency when interpreting internal policy and procurement code to promote a culture of innovation while balancing risk.
- Explore small scale IT procurement negotiations to build the case for widespread adoption.

NASPO-NASCIO Joint Task Force on Negotiations

IMPLEMENTATION METHODS

- Develop a transition plan for newly appointed CIOs and CPOs to aid in cross-education and training.
- Upon appointment or hiring, CIOs and CPOs should schedule an introductory meeting with each other and with each other's staff.
- CIOs and CPOs should invite each other and each other's teams to staff meetings.
- Put thought and planning into meetings with CIO and CPO teams—don't have a meeting without an agenda, make sure no one is caught off-guard and explore the possibility of remote/virtual meetings to increase the frequency of communication.
- Create a shared plan for metrics and consistently "check-in" to measure progress.
- Ask if the right people are in place to achieve your goals. Having the right people in the right positions is key to success.
- CPOs and CIOs should work to drive home the message to staff that procurement is a "trusted adviser," and not a roadblock.
- Be aware of and consider the cost to a vendor to participate in the procurement process, including the costs of submitting an RFP and/or RFI.
- Review and improve the pre-bid meeting process.
- Work together to prioritize projects to ensure everyone has the same goals.
- Maintain or improve relationships with the private sector and consider appropriate interaction with private sector thought leaders.
- Evangelize the procurement modernization message to staff, the governor, cabinet and all agency levels, and work together to achieve executive-level support and buy-in.
- Evaluate the task force recommendations and immediately determine what you can do first.
- CIOs should inform CPOs of their enterprise architecture direction and involve them in planning meetings.

Appendix A

40 Responding States

- | | |
|-----------------|--------------------|
| 1. Alabama | 21. Montana |
| 2. Arizona | 22. Nebraska |
| 3. Arkansas | 23. Nevada |
| 4. California | 24. New Hampshire |
| 5. Colorado | 25. New Mexico |
| 6. Connecticut | 26. New York |
| 7. Delaware | 27. North Carolina |
| 8. Georgia | 28. North Dakota |
| 9. Idaho | 29. Ohio |
| 10. Illinois | 30. Oklahoma |
| 11. Indiana | 31. Oregon |
| 12. Iowa | 32. Pennsylvania |
| 13. Kansas | 33. South Carolina |
| 14. Kentucky | 34. South Dakota |
| 15. Louisiana | 35. Tennessee |
| 16. Maine | 36. Texas |
| 17. Michigan | 37. Utah |
| 18. Minnesota | 38. Virginia |
| 19. Mississippi | 39. Washington |
| 20. Missouri | 40. West Virginia |

Appendix B

Task Force Members

Alabama

Michael Jones, State Purchasing Director

California

Ricardo Martinez, Acting Deputy Director

Amy Tong, Director and Chief Information Officer

Florida

Rosalyn Ingram, Director of State Purchasing and
Chief Procurement Officer

Idaho

Sarah Hilderbrand, Chief Procurement Officer

Greg Zickau, Chief Information Officer

Kansas

Tracy Diel, Director of Procurement and Contracts

Phil Wittmer, Chief Information Technology Officer

Maine

Andrew Giroux, Chief Procurement Officer

Jim Smith, Chief Information Officer

Minnesota

Betsy Hayes, Chief Procurement Officer

Tom Baden, Commissioner and Chief Information
Officer

Montana

Cheryl Grey, Administrator

Ron Baldwin, Chief Information Officer

Nebraska

Ed Toner, Chief Information Officer

Nevada

Jeff Haag, Administrator

Shannon Rahming, Administrator and Chief Information
Officer

New Mexico

Lawrence O. Maxwell, Director of State Purchasing

Darryl Ackley, Secretary and Chief Information Officer

Ohio

Eric Glenn, EITC Administrator

Stu Davis, Chief Information Officer and
Assistant Administrator

Oklahoma

Ferris Barger, State Purchasing Director

James “Bo” Reese, Chief Information Officer

Oregon

Debbie Dennis, Chief Procurement Officer

Alex Pettit, Chief Information Officer

Pennsylvania

John MacMillan, Deputy Secretary for Information
Technology and Chief Information Officer

Jim Butler

NASPO Honorary Member

ABOUT NASCIO

Founded in 1969, the National Association of State Chief Information Officers (NASCIO) represents state chief information officers and information technology (IT) executives and managers from the states, territories and District of Columbia. NASCIO's mission is to foster government excellence through quality business practices, information management and technology policy. NASCIO provides state CIOs and state members with products and services designed to support the challenging role of the state CIO, stimulate the exchange of information, and promote the adoption of IT best practices and innovations.

From national conferences to peer networking, research, publications, briefings, and government affairs, NASCIO is the premier network and resource for state CIOs.

To learn more about NASCIO, please visit www.nascio.org.

ABOUT NASPO

The National Association of State Procurement Officials (NASPO), Inc. was formally established on January 29, 1947, in Chicago, Illinois. NASPO is a nonprofit association dedicated to advancing public procurement through leadership, excellence and integrity.

It is made up of the directors of the central purchasing offices in each of the 50 states, the District of Columbia and the territories of the United States. NASPO is an organization that helps its members achieve success as public procurement leaders through promotion of best practices, education, professional development, research and innovative procurement strategies.

To learn more about NASPO, please visit www.naspo.org.

