



Innovative Approaches to Procurement

By Marcy Boggs

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Procurement is an important issue for the public sector, and many jurisdictions are taking innovative approaches to common issues.

HITTING FAST FORWARD

An effort is underway in the City of Philadelphia, Pennsylvania, to create innovative and enduring solutions to complicated city challenges. Philadelphia created a partnership, known as the FastFWD Program, through the Mayor's Office of New Urban Mechanics, the Wharton School of Business, and a social enterprise accelerator. Similar efforts are underway in the City of Riverside and San Francisco, California, and Barcelona, Spain. (See the program website at fastfwd.org/program.)

FastFWD, which calls itself an urban innovation refinery, identifies problems or challenged sectors within the city, which are analyzed by a broad group of stakeholders and experts. The program convenes top innovators from industry, government, and academia to work on some of the most pressing challenges facing cities across the country. These issues are packaged as market-based opportunities that are presented to entrepreneurs, who are given information and access to help them create for-

profit, scalable models for sustainable companies that will address these urban challenges.

The process starts out by interviewing city officials, industry leaders, and academics to identify the issues that are of great concern to urban areas, and the Wharton Social Impact Initiative conducts in-depth research. Then, a second round of interviews compares market opportunities for the challenges that have been identified. Based on its potential for scale and innovation, one of the sectors is chosen for closer examination. Interviewees tease apart the component parts of the problem to make the scope of the issue more clear, and then FastFWD conducts intensive research on each piece of the puzzle the interviewees identify.

Next, FastFWD puts out an open call for ideas on how to solve the challenges that have been identified, which are packaged as business opportunities. Of the proposals that are submitted, the strongest teams and the ideas that are most scalable and have the best potential for impact are selected to participate in a social impact accelerator program designed to help the social entrepreneurs make the most of their potential.

Along with the outstanding mentorship and subject matter expertise already described, the entrepreneurs

also receive \$10,000 in stipends and access to investors. Upon finishing the accelerator program, the entrepreneurs can attend showcase events throughout the year where they can pitch their projects to the City of Philadelphia, business leaders, and venture investment firms. The best programs will receive pilot contracts and/or early-stage funding.

Now in its second cohort of entrepreneurs, the FastFWD program offers innovative ideas and approaches that are narrowing the gap between today's modern business models and less effective traditional practices. The first round of FastFWD projects revealed public safety as a "hot" sector, so the initiative will expand on that in its second cycle. Entrepreneurs will be invited to submit their concepts for focus areas including substance abuse, housing stability, and youth/gang violence.

OTHER EXAMPLES

Many other jurisdictions are also applying innovative approaches to common problems with procurement.

One complaint with standard procurement processes is the barrier to effective communication between potential vendor and government. The Commonwealth of Massachusetts recently acquired a software-as-a-service procurement system by starting with a business problem-based solicitation. Taking the time to clearly understand and articulate the business problem that needs to be solved is always helpful, no matter the procurement approached used. In this case, the state hopes doing so will

help it avoid overly prescriptive specifications and encourage innovation and a broader range of solutions on the part of proposers.

Some states have also been successful with demonstration-based procurements, where the competition is largely based on how well the demonstrated product meets the business objectives. In some cases, this can be a better way to gauge the fit and user acceptance than trying to prescribe a detailed technical solution from the beginning without consulting with the vendor. California's Office of System Integration¹ and Washington State's Office of Chief Information Officer have found success with this approach.

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The California Department of Technology recently implemented a stage-gate process.² The model is designed to be more informative on the front end of the request, and departments or agencies must provide a more accurate project budget estimate and more clearly define the business case that led them to request the IT upgrade. The model breaks the IT procurement process into multiple stages, each one separated by a deliverable, or a "gate." After each stage, the Department of

Technology will determine whether or not the investment remains practical, and if the project should continue. This model is structured to reduce the complexity of IT projects by breaking them into multiple, discrete phases. The department cites a study showing that the longer a project is scheduled to last, the more likely it is to run over time and over budget, with every additional year increasing the cost by 15 percent.³

CONCLUSIONS

A collaborative environment between functional areas of government, different jurisdictions and industry can lead to more modern and effective procurement processes. As successful innovative approaches emerge, they must be shared and replicated by jurisdictions. ■

Notes

1. Richard Pennington, *Seeing Excellence: Learning from Great Procurement Teams* (Hugo House Publishers, 2003).
2. California Department of Technology, April 20, 2014, oversight hearing on Information Technology Procurement and Implementation.
3. Michael Bloch, Sven Blumberg, and Jürgen Laartz, "Delivering large-scale IT projects on time, on budget, and on value," *Insights and Publications*, October 2012, McKinsey & Company.

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