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The JLARC Review: The Pendulum Swings? (Part 4)

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“How this industry has changed over the past ten to fifteen years is one of the prime topics discussed today among industry veterans. One function that acts in a radically different way these days is purchasing. Those selling to the PWB industry (for example) in the 1970s through to the late 1990s could often ignore their customers’ purchasing departments except in two instances. Either it was time to quote or renew a major contract, or there were delivery or collection issues. Yes, there were exceptions but in general, if you could prove the value of your product and service to the engineers and production people, and if they became convinced that you should be the supplier of choice, you were . . .”

From the August 1, 2003 Article “Purchasing: the pendulum swings both ways,” by Dan Feinberg (CircuiTree)

As I had indicated in last week’s post regarding the early results from the [Poll](#) which asked the question, “[Is Virginia’s eVA program a benefit to SME/minority & women-owned suppliers?](#)” we have to look beyond the “statistical surface” to really begin to understand both the strengths and weaknesses of the current program.

While feedback from 179 individuals to date is certainly an improvement over the 95 responses the JLARC survey received, it is still an insignificant representation of the total pool of 46,000 stakeholders. In short, we have a long, long way to go in terms of tangible feedback to effectively understand and then address any of the apparent shortcomings with eVA. This is why the July 13th report release date continues to be problematic regardless of what your position may be.

And it is against this backdrop that I will share “the numbers” as well as my opinions as to what the data may represent. Remember, there is still time to respond to this [Poll](#) and to be heard either by “anonymous” count (no one will know who or the way any one individual has voted), or comment. Please note that if you decide to provide feedback beyond casting your vote (something that I would encourage), be aware that your name and company will appear beside your comments.

At the end of the second week following the [Poll’s](#) creation there has been a marked “swing” in terms of the results. Specifically, 44 percent of respondents believe that eVA *is not* a benefit to Small, Minority and Women-owned businesses, while the percentage of those who believe that eVA is a benefit have dropped to 29%. Another development that is most interesting is illustrated by the fact that 24% of all respondents have “no opinion” as to eVA’s benefit one way or the other, with the remaining 1% left to ask the question, “What’s eVA?”

The above swing is not surprising as early response to polls can have a tendency to lean heavily toward the negative side of a particular issue. That said and of course once again taking into account the fact that it is still early, the nays warrant consideration especially given the recurring theme of their comments to date. In short, and regardless how this exercise ultimately plays out,

the feedback is invaluable as it highlights areas of concern that will need to be addressed whether there is an eVA or some other similar-type program.

Show Me The Money!

One of the main complaints regarding eVA can be summed up by the following statements;

“eVA is one of the costliest web sites and generates bid e-mails that have nothing to do with my company.”

“As a niche business out of state, I feel roped into paying mandatory fees that come out of my margin on each order.”

“The fees are higher than any other state and discourage us from submitting bids. The system can be more competitive by waiving the fees.”

“I sell outdoor power equipment. You charge a 3% fee on purchases, and then some county Governments want to use a credit card. That is 6% of a GPM of 10%.”

During my second discussion with Virginia’s Chief Legislative Analyst I was asked about my thoughts regarding “usage fees.” Specifically, what do I think about a government entity charging suppliers a fee to participate in the RFP process – or what I call a “pay to play” fee?

Based on my research, charging participation fees have generally limited supplier engagement as the buying organization (in the case of EVA for example, the buying organization would be the Commonwealth of Virginia) has consistently failed to deliver the level of business that is commensurate with the required investment. To be succinct, I have never been an advocate of charging a fee as the majority of suppliers already operate under the belief that the RFP process associated with public sector acquisitions is merely an exercise to support a decision that has already been made, involving a vendor who has already been selected. You can read more about this in my post titled [“The Bands of Public Sector Supplier Engagement.”](#) Having to pay a fee, when the hoped for business doesn’t materialize only exacerbates the problem.

I did however state that a nominal fee of 1 or 2 percent would not necessarily be seen as onerous if there were in fact a broader distribution of contract wins (between 2001 and 2007 the percentage of suppliers receiving contracts through eVA increased from 23 percent to more than 46 percent) and, if the increase in Commonwealth volume at the individual business level was at least 8 percent or higher and of course profitable. It is important to note in the latter instance, growing one’s sales volume at the sacrifice of an acceptable profit level accomplishes very little. You only have to talk with a bank or lending institution that is financing a business’ receivables to realize that a sharp upturn in sales mirrored by an equally significant downturn in profitability is a deadly combination of increased risk for a lower return.

Keeping this in mind, the following is an analysis of the Poll results after two weeks. As was the case in my last post, I will be focusing more on the respondent than the responses.

Age: While the 35 to 54 age range continues to represent the greatest concentration of responses (59 percent), the overall response base has flattened out considerably. Within this group support for eVA fell from the previous high of 40 percent to 26 percent, with 51 percent expressing their belief that eVA is missing the mark relative to benefiting the SME supply base. 21 and 2 percent respectively reflect the “No Opinion” and “What is eVA” view.

The 55 plus range represents the greatest decline in support for eVA, falling from the pristine 100 percent level to 35 percent of the total response base within the referenced age segment. Of the remaining responses, 43 percent do not see eVA as a benefit, while 17 and 5 percent respectively fall into the No Opinion and What is eVA categories.

Support in the 24 to 34 age range delivered the lowest support numbers in terms of eVA’s perceived benefit to SMEs with only 13 percent of all respondents believing that the program is beneficial. 38 percent feel that eVA was not beneficial, while the remaining 50 percent of those that responded have No Opinion.

Conversely, the 18 to 24 age range delivered eVA’s highest support numbers with opinion being equally split (50/50) both for and against on the question of eVA’s effectiveness.

With increased participation levels that cover a broader age range, the analysis will become more complex (and interesting). Although I will wait until we have a significantly larger pool of responses at which time assumptions regarding possible trends will make more sense, what does stand out is that regardless of age there are definite challenges that need to be heard and addressed.

Gender: The percentage ratio between female and male responses remained relatively constant with 39 percent of those who cast their votes being women (last week the number was 40 percent), and 61 percent being men (last week the number was 60 percent).

As is the case with the overall results, the biggest change from week one to week two is reflected in the declining support for eVA. Given that eVA and in particular the Commonwealth’s Small, Women and Minority-owned (SWaM) initiative is one of the best in terms of structure and metrics, the lack of positive support from women is somewhat disconcerting with only 30 percent feeling that the program is beneficial. What is even more troubling (and keep in mind that we are still very early in the polling process) than the 39 percent who expressed their belief that eVA is not a benefit, is the 31 percent who indicated that they did not have an opinion one way or the other. Given that apathy in this instance is the same as discontent, if this trending holds up there is a serious disconnect that needs to be acted upon.

The remaining results show that 47 percent of men do not see the program as delivering any value, while 23 percent and 2 percent have either No Opinion or are not familiar with the program.

Job Function: The strongest support for eVA is from the Administrative, Creative and Finance areas. Administrative professionals give full (100 percent) support in favor of the program’s effectiveness, while professionals within each of the Creative and Financial job classification categories are equally divided (50/50) in terms of being for or against eVA.

Marketing, Operations and Sales categories are less enthusiastic with only 33, 14 and 25 percent respectively supporting the premise that eVA is beneficial to SMEs (which for the sake of brevity of text also include women and minority-owned businesses).

While Operations and Sales demonstrated strong opposition – that is the belief that eVA had failed to deliver any value to the SME community – with negative vote percentages of 57 and 42 percent, 67 percent of Marketing professionals have No Opinion regarding the question of delivering value.

Given the “splintering” of job descriptions and the related percentages, any comments regarding trending at this stage is truly speculative from an overall standpoint. If I were to proffer an opinion, and remember it is only for the sake of conversation and not a definitive assessment, one might see the 100 percent support from the Administrative category as an indication that eVA has reduced cycle time in terms of paperwork (electronic or otherwise).

Once again, attempting to assign a definitive meaning to the numbers at this stage is really stretching it because one could also quite reasonably argue that the cycle times have been reduced because fewer vendors are bidding on contracts. Hence, there is less paperwork.

Company Size: While the overall percentage of responses from the Enterprise and Large business sectors have declined, representing only 20 percent of the total vote, there has been an even greater decline in support for eVA. This is reflected in the fact that only 40 percent of respondents from the Enterprise companies versus last week’s 100 percent feel that eVA is a benefit to SMEs. Responses from individuals who work for Large companies also fell from 100 percent last week, to 33 percent this week.

Medium-sized business representation dropped significantly as only 9 percent of all respondents came from this segment of the market. Of these, 20 percent feel that eVA was a benefit while the remaining 80 percent are equally divided between the no and No Opinion vote.

The greatest change in numbers occurred within the Small business category which now represents 72 percent of all responses. The decrease in support from the small business community, which is both telling and disconcerting, mirrors the declining support eVA received from women in week two.

Only 24 percent of all respondents cast their vote in favor of the program’s effectiveness. 46 percent claimed that they have not derived any benefits from bidding on Commonwealth opportunities through eVA, while 27 and 3 percent respectively have either No Opinion or no idea about eVirginia.

Job Title: Support amongst C-Level Executives and Vice Presidents, as well as Managers continued to be low for eVA as only 25 and 14 percent respectively feel that the program delivers tangible value to the SME community.

An interesting development with this week’s results is the emergence of the Owner category. The presence of these individuals, who it would be safe to assume are likely SME business owners, represents an important constituency in terms of this exercise.

If the "Owner" category does indeed originate from within the SME sector, then the nominal 26 percent support for eVA would also be troubling should the same trending continue.

The three categories of C-Level, Manager and Owner combined represent a collective 58 percent of the total vote.

Following last week's assumptive track, the remaining 42 percent of responses would then come from the front line work force. Once again, the caveat here is that these "opinions" are not derived from a scientific model. They are only being offered as a means of stimulating deeper and more meaningful discussions which will hopefully shed some much needed light on the review process. That said the decline from 100 percent support within this category group to 38 percent might demonstrate that eVA is missing the mark in key operational areas.

Rome Wasn't Built in a Day!

At the end of the day, this exercise is useful in that it should demonstrate the folly with having to produce a report within the artificially created time lines of a legislative process in which there is a paucity of stakeholder response.

For example, it is not out of the realm of possibility that next week at this point in time, the pendulum will have swung back the other way as the Hatfield and McCoy battle between those for and those against the eVA question collectively rally the troops. There is of course nothing wrong with taking a stand and getting out the vote based on your experiences and belief, because in the end it is important to be heard.

However, and regardless of the outcome of the [Poll](#), the all important question is this; are we getting any closer to the truth?

To those who are against eVA, if the switch was to be turned off tomorrow, what would take its place? And even more importantly, how would a new program fare in addressing the very real issues that have been presented by way of your votes and comments.

For those who advocate the program's value, how can you make eVA better? Even though you will never be able please everyone, you can at least collectively move in a direction of improved supply base inclusion and synchronization.

Finally, to the legislators who are contemplating the morass of data, commentary feedback and personal proclivities, keep one thing in mind . . . while eVA may not be perfect, it is still a fully functional program through which 85 percent of all targeted spend is being processed.

I recently finished writing a white paper on purchasing in the health care sector, in which I referenced the UK's National Health Service (NHS), which happens to be the largest publicly funded health program in the world. Citing a series of articles and related reports, it turns out that the vast majority of the money spent by the NHS to automate their procurement process has been lost as "dozens" of projects and innovations are ultimately "abandoned" before they have any practical impact. To put it in terms of dollars and cents, of the close to \$4 billion the NHS has spent on various projects, only \$224 million US has actually resulted in a tangible solution.

How much has eVA cost in terms of creating the working model the Commonwealth has today?
How much more would it cost to replace it? Perhaps the term grow where you are planted is worth noting at this point?