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# IT Procurement Session

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## Topics

- What Makes IT Procurement Unique?
  - Trends in IT Development
- Developing Requirements
  - Requirements in IT Procurement
  - Aspects of IT Solicitations
- Managing Vendors
- Tying it Together

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# What Makes IT Procurement Unique?

- Our citizens expect our technology investment to build infrastructure, to deliver direct value to citizens, and to avoid undue risk of failure.

  – <u>Build Infrastructure</u>: Technology planning for both commodities and services can be adaptable and consider future needs (or can solve a single need 31 times)

  – <u>Value to Citizens</u>: Most technology projects either are the field office interaction with citizens, or are the enablers of citizen interaction

  – <u>Avoid Undue Risk</u>: Technology projects are notorious points of failure for government agencies given the challenges in scoping, awarding and managing work.

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# Two Philosophies to IT Projects



**Iron Triangle Paradigm Shift**
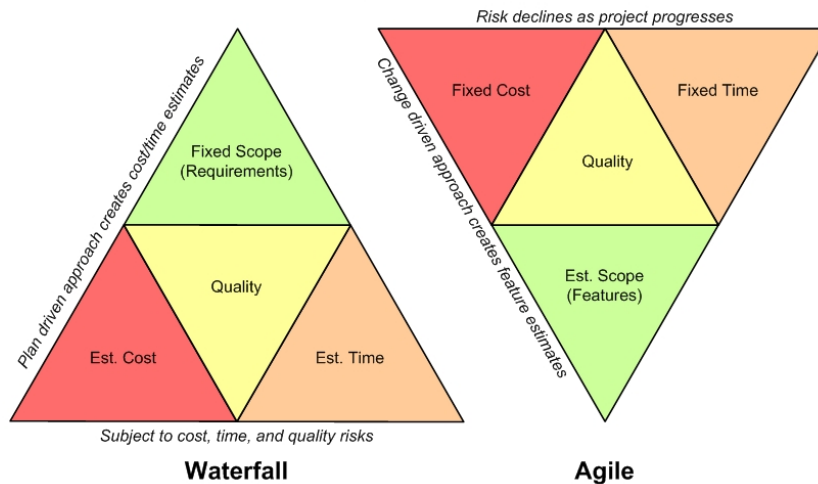
*Leaseweb Labs, 2004*

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## When Do We Chose Different Styles?

- **Waterfall** is a traditional approach, more comfortable to standard procurement, and more appropriate when requirements can be known.

- **Agile** is a more adaptive approach when the requirements or management skills are lacking, but requires a new set of skills in acquisition and contract management

- **Anarchy** is bad no matter the development approach, and requires yet again a different approach

**The Spectrum of Process Complexity**

Far from Agreement

Anarchy

Requirements

Complex

Complicated

Simple

Close to Agreement

Close to Certainty

**Technology**

Far from Certainty

*Daniel Cook 2006*

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## How Does This Affect IT Procurement?

- If the requirements are able to be known, and the technology is determined (or agnostic) a standard scope is typical and expected.
- If the requirements are challenging to define, and many characteristics are determined to be dynamic, agile may be appropriate
  – Requires creation of output and outcome measures
  – Requires a strong Project Management infrastructure
- If "Anarchy" is present, break up the project into phases
  – Do An RFI/Vendor Day in coordination with SPO
  – Get professional acquisition assistance to reduce the unknowns

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# Developing Scope

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## Eliciting Project Goals and Objectives

- In the early phase of a project, the blank piece of paper is overwhelming, especially when trying to derive a manageable scope
- One method to begin to defeat the blank piece of paper is to identify the project's goals and objectives
- Start by asking and answering basic questions
  - What does *DONE* look like and how will we know we're there?
  - How will we measure success?
  - What are the milestones that we will need to identify to measure progress?

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# General Process Overview

Requirements → Specifications → Statement of Work

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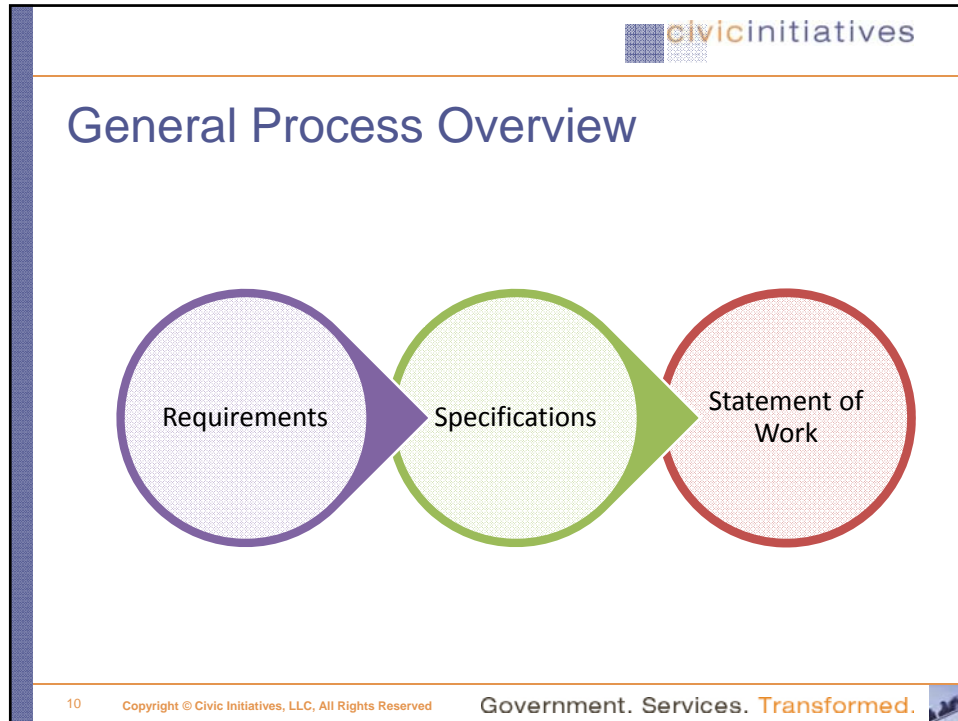
# Requirements and Specifications

**Requirements**
- What's the outcome?
- What will the user be able to do?

**Specifications**
- How will the item accomplish requirements?
- What standards or performance will it adhere to?

**Destinations are not Routes**
- User: "I want to go to the airport"
- Driver: "The freeway is backed up, do you want to take the toll road?"

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## Statement of Work Defined

- A Statement of Work (SOW) is a formal document that captures requirements and specifications and other key elements to defines the work that must be performed to meet the customer's needs
- The Statement of Work is the "heart" of the solicitation
- Not only does an SOW provide a commitment for all parties involved in a project, it forms the basic framework of the eventual contract
- The Statement of Work typically establishes deliverables, milestones and service expectations.

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## Deliverables Defined

- Deliverables are the products or services that are presented to and accepted by the customer that satisfy each of the requirements documented in a Statement of Work
- Deliverables include
  - Work products of the process or project, such as project schedules, plans, reports
  - Final result(s) or outcome(s) of the project, such as a system, an application, a program, or a product
- Deliverables are a critical link to the contract as the acceptance or non-acceptance of each informs the actions of a contract manager

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## Effective SOWs and Deliverables

- Ensure all requirements are grouped in the proper places (no hidden musts in the narrative)
- The vendor generally should have flexibility on how to fulfill the function – focus on the what, not the how
- Deliverables should be meaningful and represent discreet outcomes
- The SOW and the deliverables form the basis of future contract management
- Ask yourself: Could I manage this relationship based on these work products? If not, you aren't done

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## Aspects of Effective IT Solicitations

- A clear Statement of Work (Or Statement of Objectives if more agile focused)
- No requirements mixed in the narrative!
- Separate sections for enterprise requirements (security, cloud, etc)
- Evaluation criteria properly weighted for cost/experience based on project complexity
- Exchange reliance on "classic" risk management structures for ones more appropriate for IT
    - Ex: Service Level Agreements vs. Performance Bonds
- Mandatory Requirements should not unduly limit competition
    - Validate through peer review of similar solicitations, RFI's
- Phases and deliverables that deliver regular go/no go decision points and payment milestones (and value as you go)

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# Managing Vendors

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## The Work is Just Starting

- Award of the contract is a starting line, NOT a finish line…(although we all know sometimes it feels that way!)
- It is the starting line for a new phase of work called Contract Administration
- WE have to set the tone that the contract terms matter…
- That the agreed approach is fulfilled…
- That risks the vendor agreed to take on are transferred…
- If we don't, who will?

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## Contract Initiation Meeting

- A Contract Initiation Meeting represents a transition from solicitation and award of the contract to contract implementation
  - Transitions from processes and procedures for the award of a contract to processes and procedures to manage the contract

- A discussion between the two parties to ensure that all of the parties involved have a common understanding with regard to:
  - Goals and the expected results of the Project
  - Performance requirements
  - Methods of management to be employed in the contract term
  - Administrative procedures that must be applied based on the terms of the contract

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## What is our role?

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# We Wear Many Hats

- Cop on the beat
  - Keep bad things from happening
  - Enforce the rules
- Detective
  - Why didn't this happen the way you said it would?
  - Just one more thing…
- Air Traffic Controller
  - Ensure many complicated things happen according to rules of engagement
  - Respond rapidly to avoid catastrophes
- Football Coach
  - Manage a system that requires everyone to perform
  - Win the game

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# Testing and IV&V

- The vendor will have testing, but it is highly advisable to have state user acceptance testing as a component of even otherwise apparently simple projects
- Software as a Service and Cloud deployments further should have regression testing as a baseline expectation until proven unnecessary (it worked in the prior version, but does it still work in the current one?)
- IV&V: Independent Validation & Verification
  - Are we doing the right things, and are we doing things right?
  - Strong federal and national practice examples for first steps
- MRR: Master Requirement Repository
  - For complex projects, "drain" the requirements into one tracking tool

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## Handling Disputes

A dispute is a disagreement that is not resolvable between the parties to the contract

As a rule of thumb, contracting professionals should attempt to resolve differences in the least formal and most collaborative method possible

## Tool In The Toolkit:
## Approval Based On Quality

- If the project can has distinct deliverable phases, and deliverables do not meet quality standards, we don't have to accept them
- Vendor has to remedy identified defects
- If payments are tied to acceptance, then we don't pay until they are accepted
- If the project is "agile" then we can track anticipated "story points" that were scheduled to be completed, and if there is repeated failure to meet projected outcomes, adjust the assignments (or stop assigning)

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## Tool In The Toolkit:
## Remediation Action Plan

- If quality suffers and the project starts to drift, we can require a Remediation Action Plan

- The state identifies deficiencies or lack of alignment with the contract that require formal documentation

- A Root Cause Analysis may be a component of the documentation, or a requirement for the vendor to fulfill based on the situation

- The vendor describes the corrective action that will take place

- Milestones and action items are captured and tracked

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## Tool In The Toolkit:
## Cutting The Line

- If the project has distinct phases, many times the option to continue to later phases can be at the state direction
  - "Notice to Proceed"
- If a contracted project is floundering, we can target our energy to getting an outcome to build on in the future
- We communicate with our executives that we don't intend to continue to future phases, but rather go to rebid

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# Tying It All Together

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### The Value of Common Action in IT Procurement

- In Hawaii, Departments and agencies are beginning to develop and maintain their respective multi-year IT strategic and tactical plans and roadmaps as part of the state's overall IT strategic planning.
- The IT "Request to Spend Process" enables reviews of 100k+ transactions
- Draft requests for proposals and draft vendor contracts for enterprise IT projects and initiatives are reviewed for best practices, and to ensure IT-related terms and conditions favorable to the state are included in the documents.
- Independent Validation and Verification (IV&V) is a growing and valued practice
- Working together Hawaii can protect the state investment and extend its impact

*The whole is greater than the sum of the parts…*

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## Why IT Procurement Skills Matter

- IT has the ability to directly affect and improve the lives of our citizens, and the ability of state employees to effectively carry out critical work
- The acquisition approach that we employ directly affects our ability to manage the work to success
- By evaluating our maturity in a given project, we can use different development methods and approaches
- There are no good or bad approaches described in this presentation, only approaches appropriate to the situation
- Determining your actual situation lets you take the next best action

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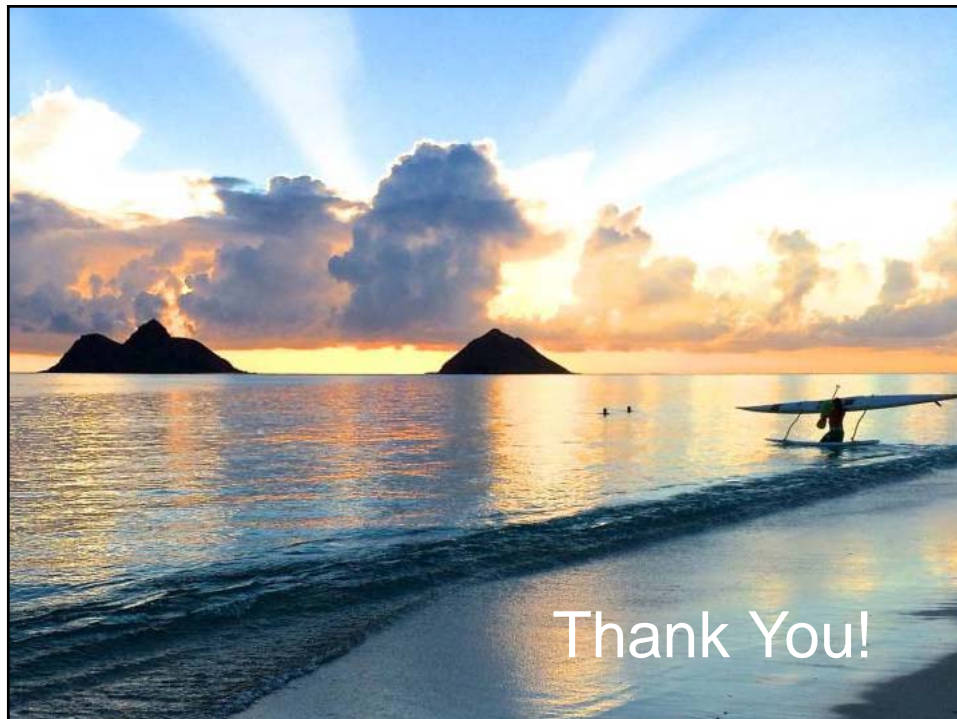
Thank You!

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