

# Time to raise your procurement game: Forget output, think outcomes

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It's been one year since the Government introduced its new procurement rules – swinging its \$42 billion wallet in the direction of sustainable, socially responsible spending. Is that massive spending power starting to pull our economy in the direction the Government wants? We've recently conducted research into how much progress is being made within agencies, to get a sense of how successfully the new rules are being implemented.



## Collaborative contracts for existing solutions are a winner; elsewhere suppliers are still playing catch up.

Our research revealed:



Agencies are doing very well at knocking off the low-hanging fruit by joining collaborative contracts. The areas that have progressed the fastest have well defined solutions in the market and agencies are advancing these with relative ease. Collective agreements with built in sustainable options are allowing them to make significant progress in areas like fleet emissions.



Strategies are working. This might sound obvious, but it's nice to have evidence and a proven pathway for those still catching up. The more planning and stakeholder engagement up front, the more progress agencies have been able to make.



Procurements are now focused more on delivering social outcomes and that takes planning, effort and sometimes more money. This causes difficulties when stakeholders want a quick turnaround or are fixed on the quickest, cheapest way to get an output.



The COVID-19 pandemic has caused both headwinds and tailwinds.



Suppliers are still playing catch up as they start to learn the fundamentals of the new procurement rules; however, this can prevent agencies from making bigger strides.

## Aiming for outcomes, not outputs.

The Government knows what it wants: the 'nice to haves' are now 'must haves' or differentiators. All those aspects previously considered warm and fuzzy non-essentials are now front and centre. The response from industry has been 'Okay, but we're not completely sure how to do this.' Businesses which have previously used some vague green-washing in their bids are discovering this is no longer sufficient.

Instead of thinking in terms of outputs, there is a shift to thinking about outcomes. It's no longer about how many widgets you need to deliver to the Beehive. Now it's about more: is the widget

being made in New Zealand from sustainable sources? Are the people delivering it being paid the living wage rate? And is your business contributing a net gain to our country in more than just dollar terms?

Even if your supplier says the widget is being made sustainably in New Zealand, and you believe it, in the future you can be expected to prove that right back to the forest where the trees were planted to create the widgets. The longer these procurement rules are in place, the more thorough agencies will be in their supplier reporting and auditing.

## Setting yourself up for success as a Government supplier.

Here are four ways your business can raise its game to meet the Government's procurement goals:

<b>1</b> Take stock	<b>2</b> Define your aspiration	<b>3</b> State your intent	<b>4</b> Be accountable
<p>You don't know what you don't know. Look across your whole business to assess how well you deliver social outcomes through what you do and establish a baseline for improvement.</p>	<p>Our research clearly demonstrates the value of good strategy and planning. Set targets for where you'd like to get to. Map out what the journey looks like to achieve the Government's procurement goals. Make sure your entire team also understands what this means for your everyday operations.</p>	<p>Go public with what you would like to achieve and what your journey will be to get there. Invite suppliers and public customers to help you achieve your aspirations.</p>	<p>Develop your own reporting and auditing systems so you can easily demonstrate your processes and practices. Publish your progress and socialise it internally. This proves how serious your organisation is about social outcomes, and it's a great precursor for future success.</p>

If your business is struggling, there are people out there who can help, including business networks, consultants and many open-source resources.



## COVID-19 has caused headwinds and tailwinds.

Obviously COVID-19 has created significant challenges for agencies and suppliers. The recession means there's been less money to spend, putting the pursuit of broader outcomes in conflict with tighter budgets.

However, the pandemic has also changed New Zealand in ways that support the goals of the procurement rules:



Almost everyone has been thinking hard about their priorities this year, and we inevitably discover that we value the environment, taking care of each other and preventing negative outcomes like homelessness and poverty. At every level people are engaging more with the ideals reflected in the procurement rules.



The 'Buy New Zealand Made' resurgence has been felt not only by consumers, but also by agencies. They've taken it up a notch, procuring from local communities for local projects. Suppliers who source not just nationally, but locally, will benefit.



Suppliers and agencies now know how fast they can change if they really want to, thanks to the dramatic shifts in working from home and online operations under lockdown.



## Boosting NZ Inc: Productivity, profitability and people.

One of the major barriers to productivity in New Zealand is our propensity to throw cheap labour at jobs, rather than investing in innovation and systems. Now, the Government is driving improved training for Kiwis, and that's going to be compounded by a likely shortage of cheap labour, at least as long as our borders remain closed.

For the time being, with the Government pushing for the living wage, it no longer becomes economical to keep employing low-skilled employees. Instead, our businesses will need to invest in better systems and technology.

Theoretically, that should improve New Zealand's productivity, which has long been too low, and raise the average skill level of our workers. It would be wonderful if these procurement rules were a step along the road to a NZ Inc. that exports more high-value technology, ideas and innovation to the rest of the world. Over time we can make that happen – lifting our standard of living, reducing poverty and making this country into a tiny engine of prosperity and ingenuity.

## Contact us

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