



MILLENNIUM
CHALLENGE CORPORATION

UNITED STATES OF AMERICA

Institutional Maturity Model:

*A tool to fill gaps in measuring development of
procurement systems*

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How “good” is a Public Procurement System?

What will make it better?

Why are these questions so difficult to answer?

Seeking answers in the context of designing and implementing
Public Procurement Project in Indonesia

MCC Indonesia Compact

Procurement Modernization Project

\$50,000,000 to support Indonesia's Development Agenda

- Establish Procurement Institutions
- Staffed with Procurement Professionals
- Equipped with Modern Procedural and Technical Procurement Tools
- www.mcc.gov

Challenging Questions

- Is \$50,000,000 a good investment?
 - What are benefits?
 - How to measure savings?
 - How to measure improved quality?
- What would be effective interventions?
- How should the functional position be defined?
- What should be the form and content of the human resource development program?
 - Procurement skills training?
 - Organizational and leadership skills training?
- How should a procurement service unit be organized?
 - What are its functions?
 - How should it be staffed?

Establishing Procurement Institutions

Transforming the Procurement Culture in Indonesia

- From Ad hoc working groups to permanent Procurement Service Units (PSUs)
- How should a PSU be organized?
 - What are its functions?
 - How should it be staffed?
- Phase One: 29 PSUs

Institutional Maturity Model

- A **tool** that focuses broadly on government unit's organizational capacity to execute effective and efficient procurement operations.
- Structures the maturity of an organization's procurement management through **nine Key Areas**.
- Each of the **Key Areas** reflects a fundamental organizational **capability** that must exist in order for the organization, as a whole, to effectively and efficiently execute procurement management processes and deliver results in a sustainable manner.
- Each of the nine Key Areas is structured with **five levels of maturity** that reflect incremental increases in levels of organizational development in procurement operations and management.
- The five steps of maturity have **criteria (indicators)** to determine the maturity status of a procurement organization in each Key Area of capability.

Key Areas (capabilities)

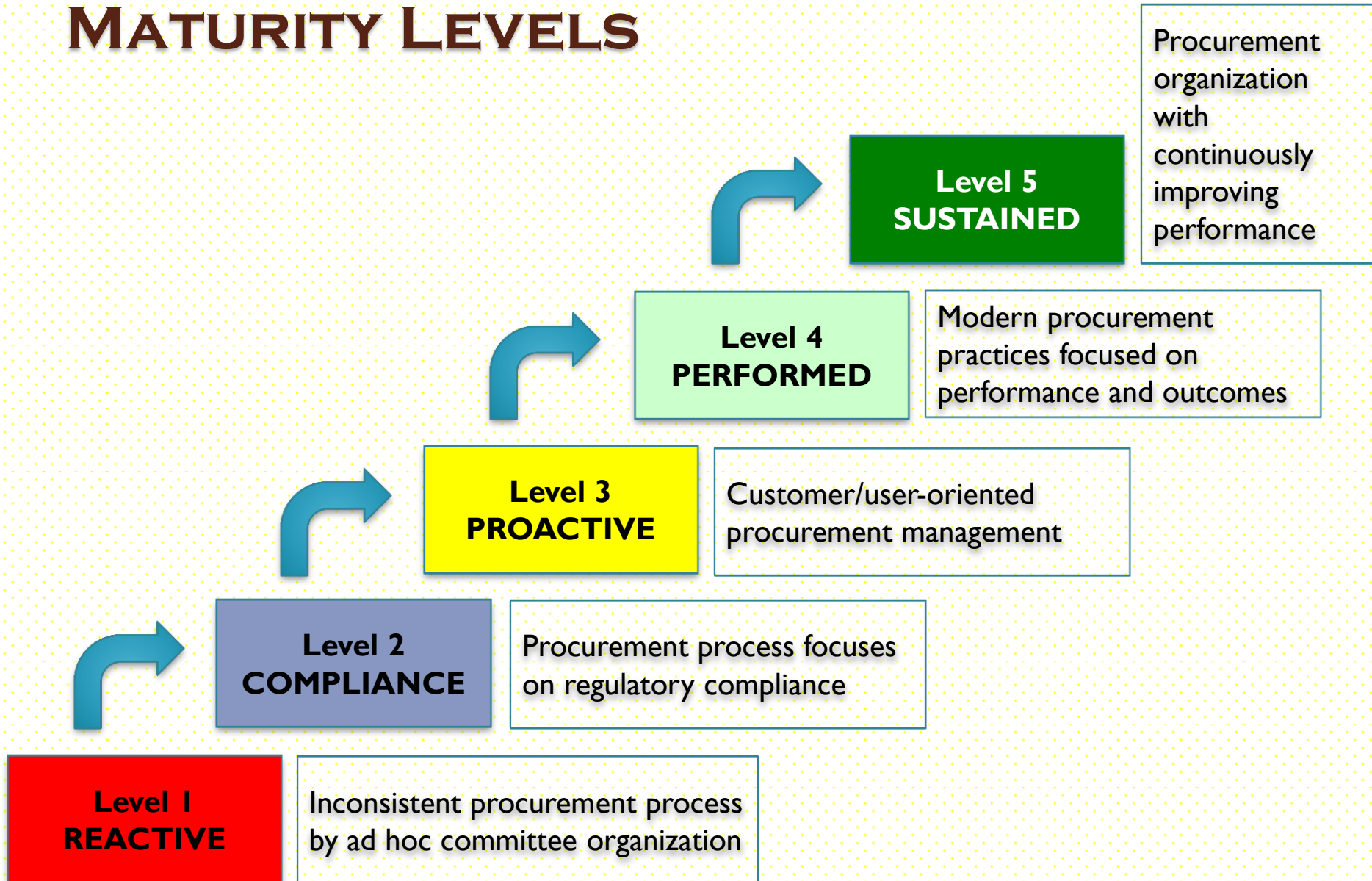
HR Capability Development

1. Staffing (Recruiting)
2. HR Competencies Development (training, mentoring)
3. Career Path Development (retaining, promotion)

Organization Maturity Development

4. Procurement Management
5. Procurement Organization
6. Performance Management
7. Information Systems Management
8. Risk Management
9. Leadership and Organizational Culture

MATURITY LEVELS



I. Staffing at Procurement Service Units (PSU)

is the process of selecting, placing and retaining of PSU staff in order to be sufficient in number and quality to enable staff to run the procurement function with good performance in the organization.

Maturity Levels	<i>What is staffing plan and recruitment within the PSU?</i>
1. Reactive	There is no formal staffing plan within the PSU, staffing of procurement function is based on ad hoc availability of existing staff.
2. Compliance	Staffing plan such as workforce analysis, work load and workforce mapping in the PSU has been conducted.
3. Proactive	There is Standard Operating Procedure in place for recruitment and placement of staff in the PSU.
4. Performed	Succession program (planning promotion & positional transfer) has been conducted to maintain procurement performance.
5. Sustained	Annual review has been conducted on staffing, recruitment & succession planning in the active PSU.

2. HR Competency Development

is the level of training and mentoring the staff has received to improve its ability to face the challenges of the procurement tasks of each organization.

Maturity Levels	<i>What are the competency levels of the PSU staff and the pattern of development?</i>
1. Reactive	Staff lacks sufficient knowledge and skill in procurement to met basic needs of organization and there is no competency development plan.
2. Compliance	Staff has knowledge to meet basic needs of organization as staff has received formal training in procurement rules and procedures according to Indonesian law.
3. Proactive	Staff has knowledge of procurement rules and procedures and basic skills in strategic procurement function and modern procurement practices and competency developed through formal training and mentoring.
4. Performed	Staff has knowledge of procurement rules and procedures and advanced skills in strategic procurement function and modern procurement practices and competency developed through formal training and mentoring.
5. Sustained	Annual review has been conducted to improve competency of staff and its development pattern to improve procurement performance.

5. Procurement Organization of PSU

is the position and role of PSU in managing procurement activity in the organization.

Maturity Levels	<i>What is the position and role of PSU within the organization?</i>
1. Reactive	Suppliers still selected by ad hoc working groups and not all procurement organization tools have been formed.
2. Compliance	PSU has been established permanently based on Decree of Minister/Head of Agency/Region/Institution. All PSU's activities are documented.
3. Proactive	PSU is performing all functions as required by regulation.
4. Performed	PSU already has a standard of procurement services and actively participates in maintaining procurement performance.
5. Sustained	PSU function has become procurement consultant for the organization ensuring continuous improvement of procurement performance.

7. Information System Management

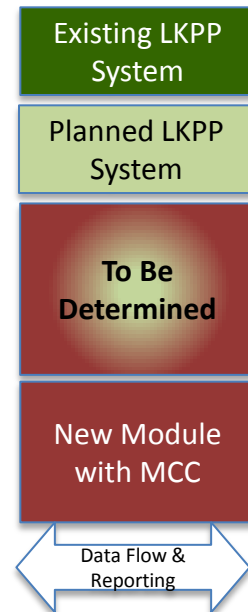
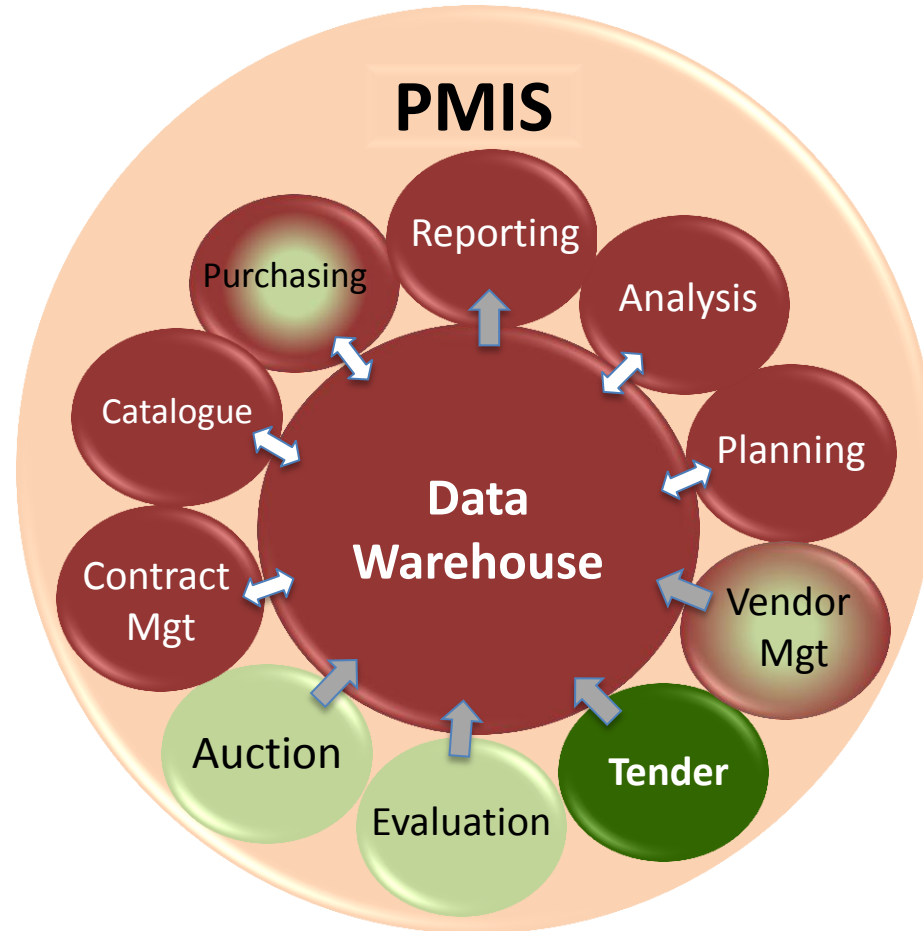
is the use of information technology and the Internet to support activities within the PSU in order to obtain better procurement performance.

Maturity Levels	<i>How is IT used to manage procurement system and how is information used to manage PSU?</i>
1. Reactive	IT is only used to document the procurement process.
2. Compliance	IT is used to automate procurement process by using applications such as eProc, ePurchasing, etc.
3. Proactive	IT is used as tool to ADD VALUE in procurement activities, such as to improve efficiency or service levels. Standardization of data is used to generate reports required by users.
4. Performed	IT is used as a STRATEGIC tool to produce good public procurement performance. Procurement information is analysed to evaluate procurement performance.
5. Sustained	IT is used as STRATEGIC tool to improve capabilities and competitiveness of procurement processes and of organization. Procurement information is used for forecasting & business intelligent and for driving management decisions of the PSU.

PMIS Components (Modules) to be support by MCC

Each tool & application is designed to:

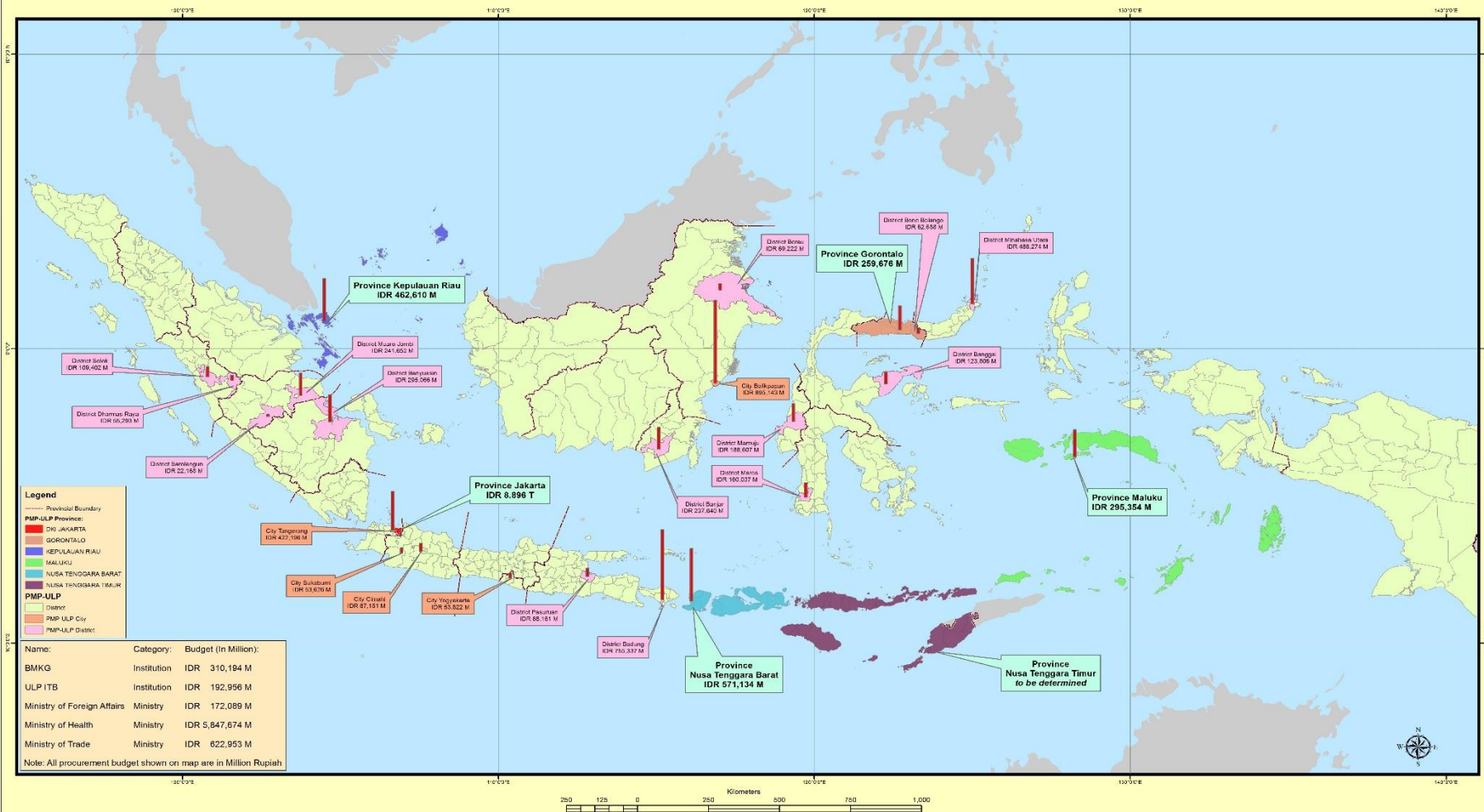
- Support all activities of the program – People, Process and Institutions
- Capture & Report comprehensive procurement data
- Provide an efficient and effective process for procurement professionals



Public Procurement Characteristics of 'Reactive' Maturity Level (1)

- There is no formal staffing plan within the PSU, staffing of procurement function is based on ad hoc availability of existing staff.
- Staff lacks sufficient knowledge and skill of procurement to meet basic needs of organization and there is no competency development plan.
- No career path or incentives for procurement staff.
- General procurement plan requirements have not been implemented and no strategic plan for conducting procurements.
- Suppliers still selected by ad hoc working groups and not all procurement organization tools have been formed.
- No targets for performance-based indicators of procurement functions.
- IT is only used to document the procurement process.
- Limited understanding of risk management in procurement and no risk analysis or strategy for mitigating risks.
- Each party focuses only on own tasks and interests. Management has little concern or awareness of good implementation of procurement function.

Procurement Modernization Project ULP Pilot Sites



ROAD MAP



Create operational procedure to conduct evaluation and improvement in staff planning, recruitment and succession/retention in the PSU and staff involved in procurement generally.

Appoint official responsible to run succession program (promotion & positional transfer) to improve procurement performance.

Implement operational procedures for recruitment and placement of staff in the PSU.

Develop staffing plan for the PSU to meet procurement needs of organization based upon job analysis, work load and workforce position in the PSU.



Indonesia Maturity Model Workshop

Participants Conducting Self Assessments of PSUs and developing their Roadmaps

Procurement as a Profession

What are “*international best practices*” in public procurement?

What are the “*qualifications*” of a procurement professional?

What is a “*good*” procurement system?

What is a “*successful*” procurement?

What are procurement “*performance*” indicators?

What are procurement “*assessment*” tools?

Do we even have universal procurement terminology?



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Thank You and Questions