Institutional Maturity Model: A tool to fill gaps in measuring development of procurement systems

Jeanmarie Meyer
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

Level 1 REACTIVE
Inconsistent procurement process by ad hoc committee organization

Level 2 COMPLIANCE
Procurement process focuses on regulatory compliance

Level 3 PROACTIVE
Customer/user-oriented procurement management

Level 4 PERFORMED
Modern procurement practices focused on performance and outcomes

Level 5 SUSTAINED
Procurement organization with continuously improving performance
1. **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.

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

<table>
<thead>
<tr>
<th>Maturity Levels</th>
<th>What are the competency levels of the PSU staff and the pattern of development?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Reactive</strong></td>
<td>Staff lacks sufficient knowledge and skill in procurement to meet basic needs of organization and there is no competency development plan.</td>
</tr>
<tr>
<td><strong>2. Compliance</strong></td>
<td>Staff has knowledge to meet basic needs of organization as staff has received formal training in procurement rules and procedures according to Indonesian law.</td>
</tr>
<tr>
<td><strong>3. Proactive</strong></td>
<td>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.</td>
</tr>
<tr>
<td><strong>4. Performed</strong></td>
<td>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.</td>
</tr>
<tr>
<td><strong>5. Sustained</strong></td>
<td>Annual review has been conducted to improve competency of staff and its development pattern to improve procurement performance.</td>
</tr>
</tbody>
</table>
5. **Procurement Organization of PSU**

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

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

<table>
<thead>
<tr>
<th>Maturity Levels</th>
<th>How is IT used to manage procurement system and how is information used to manage PSU?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Reactive</td>
<td>IT is only used to document the procurement process.</td>
</tr>
<tr>
<td>2. Compliance</td>
<td>IT is used to automate procurement process by using applications such as eProc, ePurchasing, etc.</td>
</tr>
<tr>
<td>3. Proactive</td>
<td>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.</td>
</tr>
<tr>
<td>4. Performed</td>
<td>IT is used as a STRATEGIC tool to produce good public procurement performance. Procurement information is analysed to evaluate procurement performance.</td>
</tr>
<tr>
<td>5. Sustained</td>
<td>IT is used as STRATEGIC tool to improve capabilities and competitiveness of procurement processes and of organization. Procurement information is used for forecasting &amp; business intelligent and for driving management decisions of the PSU.</td>
</tr>
</tbody>
</table>
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

Legend:
- Procurement Boundary
- Procurement Projects
- ULP Projects
- ULP Pilot Projects
- ULP Central Projects
- ULP Province Projects
- ULP City Projects

Note: All procurement budget shown on map are in Million Rupiah.
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?
Thank You and Questions