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**THE IMPLEMENTATION OF THE STRATEGIC SOURCING METHODOLOGY IN
PUBLIC ORGANIZATIONS: the cases of Rio de Janeiro and US Governments**

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List of Tables

Table 1 – Number of Ratified Auction in SIGA

Table 2 – Rental Service of Vehicles Metric

List of Figures

Figure 1 – GES Governance Structure

Figure 2 – FSSI Governance Structure

Figure 3 – Strategic Sourcing Process

Abstract: The current fiscal pressure and budgetary constraints have increased the need for taking advantage of cutting spending and ensuring that government contracts deliver the best value for the society. Strategic sourcing process moves companies away from numerous individual purchases to an aggregate approach to seek savings. This paper focuses on Rio de Janeiro's and the US federal government's initiatives of strategic sourcing in government contracts. The analysis shows risks and opportunities, and suggests alternatives through the lessons learned from applying strategic sourcing in Public Administration.

Keywords: Strategic Sourcing, Government Contracts, Procurement

Summary

I.	Introduction.....	4
II.	Background	5
	a) Rio de Janeiro Government	5
	b) US Federal Government.....	10
	c) The Strategic Sourcing Methodology	12
III.	Opportunities and Promises.....	15
	a) Rio de Janeiro Government	15
	b) US Federal Government.....	19
IV.	Actual Experience and Results Already Achieved.....	22
	a) Rio de Janeiro Government	22
	b) US Federal Government.....	24
V.	Conclusion	26
VI.	References.....	29

I. Introduction

This paper presents the strategic sourcing initiatives of the Rio de Janeiro and US governments. The analysis shows factors that make the implementation and the decision making more difficult to improve the quality of government's spending. The analysis also identifies the risks and points of attention for the best use of the strategic sourcing methodology in the public sector.

In a scenario where governments are always faced with the lack of resources to provide the population the basic services such as education, health and public safety, there is no other alternative than constant efforts to reduce the costs for maintenance of the state.

With the growing trend of replacing the direct execution of various services by hiring private companies, the importance of the public procurement teams increases. The work of the area of purchasing becomes more strategic, focusing on demands for centralization of activities, longer contract terms with suppliers and lower total cost in the procurement lifecycle.

During the progress of implementing the Strategic Sourcing methodology, it was realized that the implementation was easier or harder mainly due to some factors. The success of the program was also influenced by the selection of the products, by the measuring of the opportunities costs and by the structure of governance.

II. Background

a) Rio de Janeiro Government

Since early 2009, the Government of Rio de Janeiro State has developed a series of actions to reduce current expenses and the cost of the administrative machine. This was done by improving the technology for automation of procurement processes and guidance for use of the Trading and Prices Registration as preferred systematic purchasing. The Rio de Janeiro government has an enormous bargaining power with the supplier market, with purchases over R\$ 5.0 BI / year (\$1.3BI/year)¹ and more than 10,000 suppliers registered in the Supplier Data Base (Accenture Brasil, 2013).

First, it started the implementation of the Procurement Management Integrated System (SIGA). SIGA has the following features:

- Catalog Management: standardization and rationalization;
- Supplier Management: supplier data base and penalties evaluation and control;
- Price Data Management: price data base and reduction of the quotation operational work;
- Acquisition Management: electronic process from the requisition to consumption;
- Contract Management: control of the deadlines, contract value and balance; and contract visibility and monitoring;
- Inventory Management: control of the inputs, outputs and balances; and accounting reports;

¹ Exchange rate in 11/27/2015. (Federal Reserve)

- KPI's Management: Control of the procurement and logistic processes; and focus on continuous improvement.

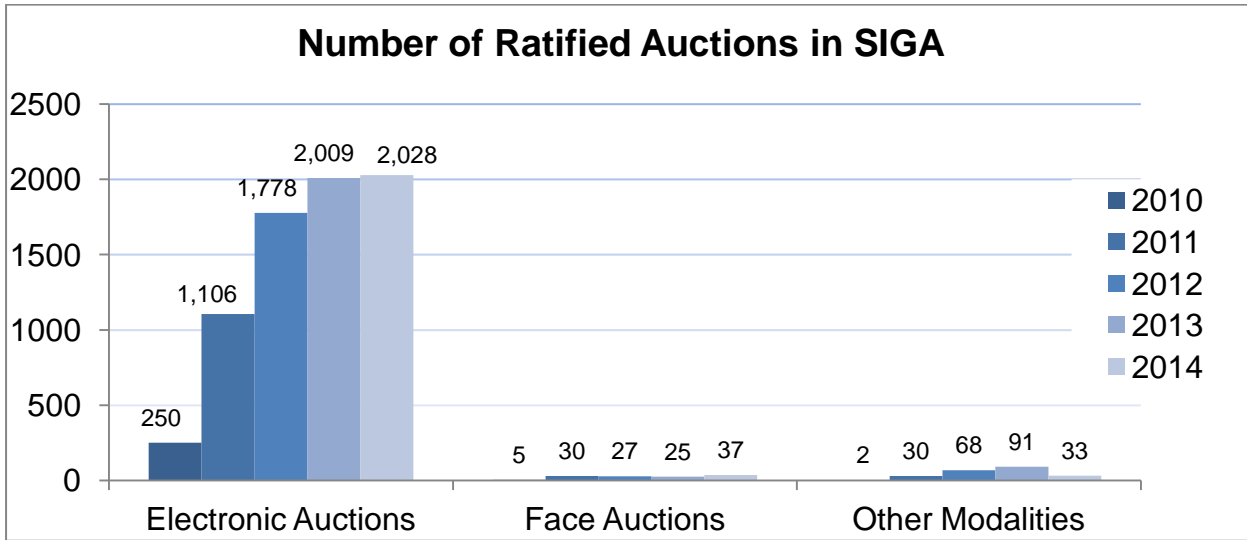


Table 1 – Number of Ratified Auction in SIGA

With the implementation of the system, the agility of government actions and the consistency of the data to be analyzed were increased, providing greater transparency. SIGA enabled integration with other public systems of monitoring processes, budget execution, financial, logistics and storage.

In 2012, the Under Secretary of Logistics Resources (SUBLO), a member of the organizational structure of the Planning and Management State Secretariat (SEPLAG), began to be structured in network, with the creation of the Network Logistics. Currently, there are five logistics networks: Buyers, Contract Managers, FF&E Managers, SIGA Managers and Official Transportation Managers. First of all, it was setting up the Network of Buyers, that

was a pioneering project in the country. It was created² the Network of Buyers of the Executive Branch of the Rio de Janeiro State, in order to establish guidelines for the activities of Buyers, standardize the procedures for Purchasing Sessions, promote the certification and the training of civil servants and maintain communication mechanisms between them.

In July 2013, the Government of Rio de Janeiro initiated the GES in order to apply the methodology of Strategic Sourcing, with the support of a hired consulting firm (Accenture).

First the project was introduced in 7 categories of purchases:

- 1) Rental service of vehicles.
- 2) Communication Links.
- 3) Rental service of computers.
- 4) Cleaning service.
- 5) Food service.
- 6) Medicines.
- 7) Hospital supplies.

Later, it became necessary to expand the scope of the GES project with the inclusion of two more categories:

- 8) Rental service of air conditioning.
- 9) Office Supplies.

The purchase categories were chosen through a strategic portfolio matrix based on savings potential and ease of implementation. The first GES generation continues being

² By the State Decree number 43,692 of 07/30/2012

developed by the Strategic Sourcing Coordination (COGSU) of SUBLO. The goals of the GES are to carry out the diagnosis, development and monitoring of the implementation of a Strategic Supply Management model, comprising of:

- a) review of current procedures adopted by the state to carry out the purchases of materials and contracts of services , from case studies of national and international success;
- b) optimize and reduce the costs of purchasing processes, streamlining of rules and procedures and improving quality of public spending ;
- c) definition, development and deployment models, processes, methodologies and supply management policies;
- d) enhancement of the Government's relationship with suppliers of materials and services in the various segments ; and
- e) training the civil servants directly involved in the project to act as future multipliers.

The Rio de Janeiro Initiative Governance was composed by 2 institutions³:

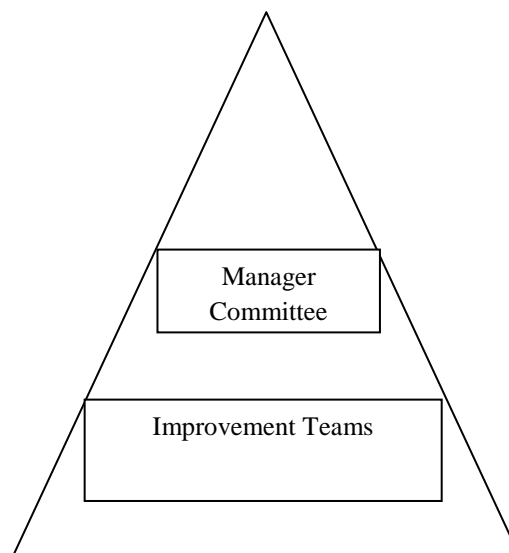


Figure 1 – GES Governance Structure

³ Created by the State Decree number 44,449 of 10/24/2013

Manager Committee

Manager Committee Members:

- Planning and Management Secretary;
- House Civil State Secretary;
- Prison Administration Secretary;
- Healthy Secretary; and
- Education Secretary.

Manager Committee Responsibilities

- Make the management of the relationship between the state agencies and the hired consultancy company;
- Conduct deliberation meetings of strategic issues relating to the project;
- Establish the settings and validate critical project steps; and
- Deliberate on the relevant issues related to the project;

Improvement Teams

Improvement Teams Members:

- Planning and Management Secretariat; and
- Representatives indicated by the agencies.

Improvement Teams Responsibilities

- Participate in analysis and improvement of the category procurement model;
- Provide information and data of the current category procurement model;

- Facilitate and enable communication with agency civil servants; and
- Follow the project goals and deadlines.

b) US Federal Government

Procurement at federal agencies was generally decentralized. Agencies acted more like many unrelated medium-sized businesses and often rely on hundreds of separate contracts for many commonly used items. The prices varied widely.

In May 2005, the Office of Management and Budget (OMB) and the Office of Federal Procurement Policy (OFPP) issued a memorandum requiring federal agencies to identify commodities that the government could efficiently purchase through strategic sourcing. The document defined strategic sourcing as “the collaborative and structured process of critically analyzing an organization's spending and using this information to make business decisions about acquiring commodities and services more effectively and efficiently” (Censeo Consulting Group, 2008). According to the memorandum, the process helps agencies optimize performance, minimize price, increase achievement of socio-economic acquisition goals, evaluate total life cycle managements costs, improve vendor access to business opportunities, and otherwise increase the value of each dollar spent.

Soon after, in November 2005, the General Services Administration (GSA) and the U.S. Department of the Treasury launched the FSSI. As of July 2015, the GSA had eight individual FSSIs covering commodities ranging from computer software and services to janitorial and sanitation supplies, and the agency had plans for additional FSSIs for furniture and human resources services. In addition, the Library of Congress administers an FSSI for information products and services, the commodity group that is the subject of this analysis.

The FSSI program evaluates products and services to strategic sourcing based on savings potential, diversity of costumer pool, and ease of implementation.

The FSSI has been implementing strategic sourcing solutions for the US Federal government since 2005. Current FSSI commodity solutions include:

- a) Express and Ground Domestic Delivery Services;
- b) Maintenance, Repair & Operations Supplies;
- c) Janitorial & Sanitation Supplies
- d) Office Supplies;
- e) Print Management;
- f) Wireless; and
- g) Information Services.

Historical Solutions Include:

- h) Office Supplies First Generation and Second Generation;
- i) Domestic Delivery Services First and Second Generation; and
- j) Telecommunications Expense Management Services.

The FSSI Program Management Office (PMO) is located within the GSA's Federal Acquisition Service. The PMO provides guidance and oversight, reviews information and recommendations, and makes strategic program decisions. Agency representatives participate in developing and managing FSSIs through representative in commodity teams.

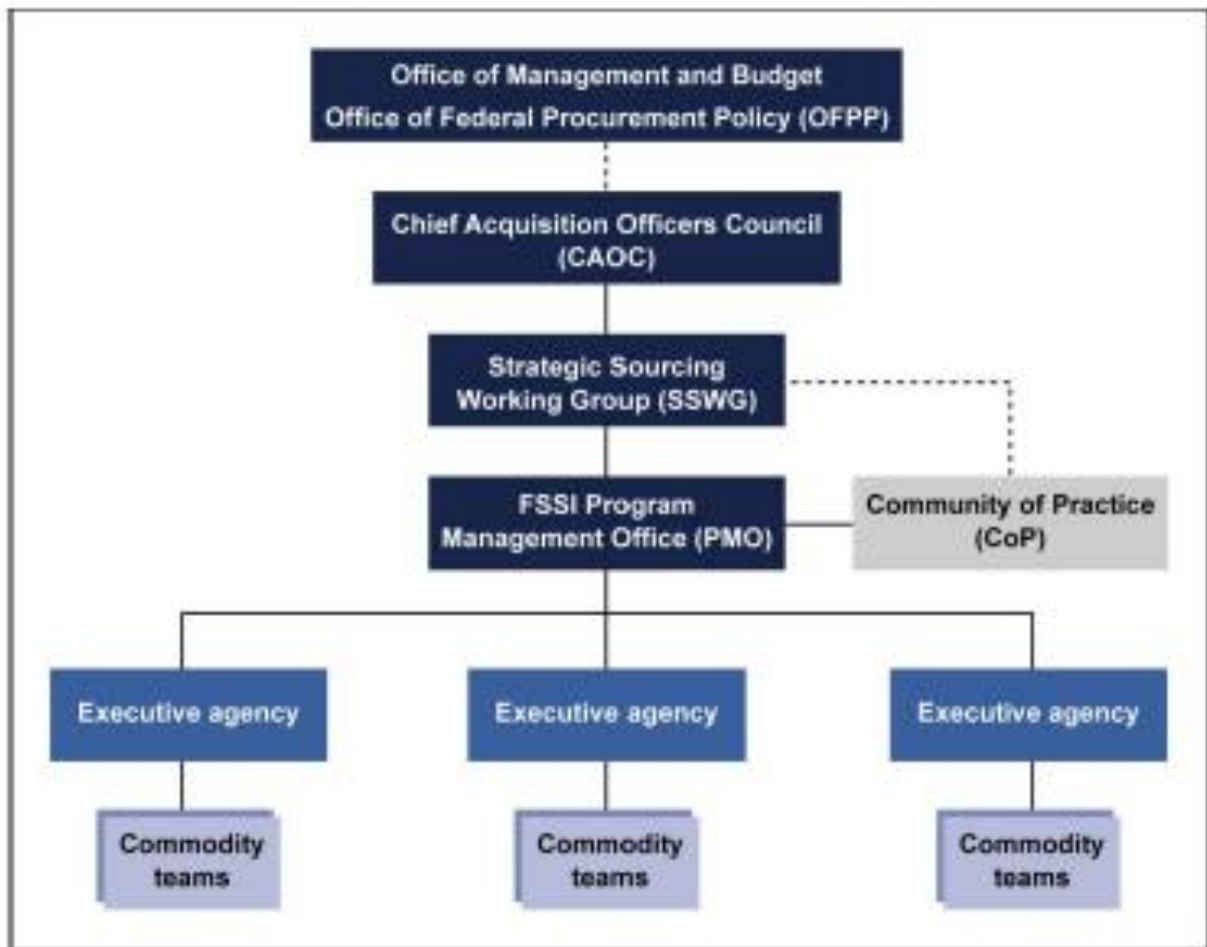


Figure 2 – FSSI Governance Structure (US General Services Administration)

c) **The Strategic Sourcing Methodology**

Strategic sourcing process gained popularity in the 1980s in the private sector and is now an embedded feature of many large corporations. Strategic Sourcing is a structure built on the concept of Total Cost of Ownership (TCO). It helps companies to determine buying strategy for different components according to their value to the achievement of internal performance targets and customer satisfaction. It utilizes data driven techniques to understand what is being purchased and then utilizes that information in conjunction with customer requirements, market analysis, and total cost analysis (ANDERSON, 1998). It's a process that moves a company away from numerous individual contracts to an aggregate approach.

According to Wallace & Xia (2015), purchasing is an activity and procurement and strategic sourcing are processes. Strategic Sourcing is a more transformational process, performed at a higher organizational level. It takes the procurement process further, examining the whole supply network, its linkages, and how they impact procurement and purchasing decisions.

A strategic sourcing process begins with the analysis of spending and the identification of products and services which the methodology should be implemented. Based on the analysis, companies create a list of products and services based on spending. Potential savings and ease of implementation are considered.

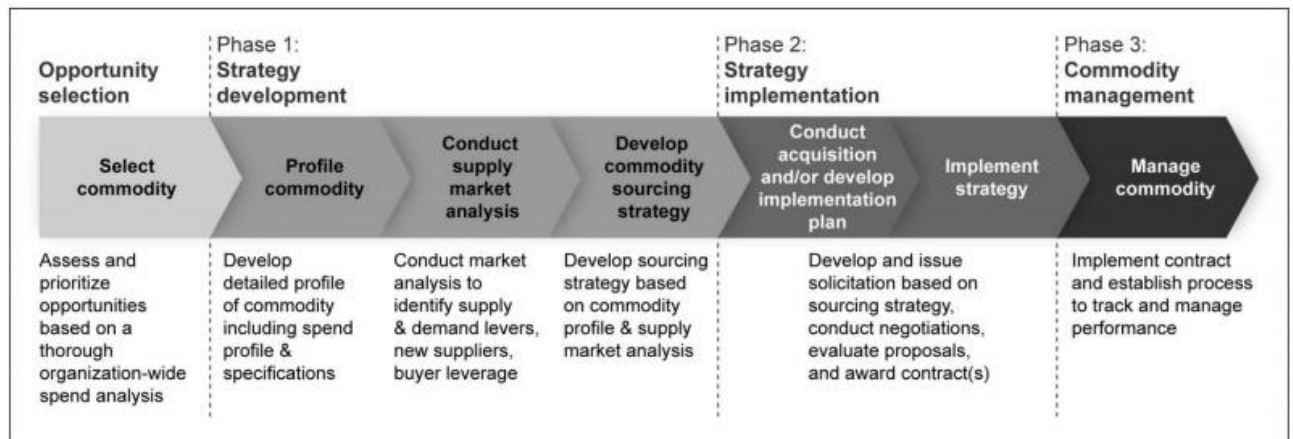


Figure 3 – Strategic Sourcing Process (United States Accountability Office (GAO), 2012)

The studies and products applying a Strategic Sourcing methodology include:

- SWOT analysis - Strengths, Weaknesses, Opportunities and Threats - allowing the Government to position itself strategically through its shopping needs;
- Porter analysis - Important tool to view the most critical points and major market opportunities: entry barriers for new suppliers, supplier power, internal competition, substitute products and buyer power;

- Opportunities tree – structure with the internal and external analysis, the purchasing processes and the market;
- Standardized specifications by category;
- Decisions of “make or buy”; and
- New models of government contracts.

Some key elements of strategic sourcing, as provided in Defense Acquisition University’s Strategic Sourcing Overview Course, are noted below:

1) Strategic Sourcing is a structured process.

- It is a systematic approach to sourcing goods and services with clearly defined steps.
- It is a repeatable process that can be applied over time to any commodity

2) Strategic Sourcing is an analytical process.

- It is data-driven and relies on facts, not hunches, for sourcing decisions.
- It relies on internal customer requirements and external market intelligence to develop strategies.
- It considers all the angles – from customer needs and market conditions to financial and socio-economic objectives.

3) Strategic Sourcing is a collaborative process.

- It is cross-functional and engages stakeholders from multiple perspectives and disciplines.

- It takes a “big picture” view of the spending environment to find the most appropriate level of sourcing coordination.
- 4) Strategic Sourcing helps organizations optimize their supply base.
- It helps organizations identify the optimal number and types of suppliers to satisfy sourcing needs (including small businesses).
 - It seeks to structure the supplier-buyer relationship for mutually beneficial results.
- 5) Strategic Sourcing helps organizations reduce total cost of ownership (TCO).
- More than just unit price reductions, TCO savings can be achieved through reduced volume and consumption (demand management), improved process efficiencies, and better supplier management.
- 6) Strategic Sourcing helps organizations improve mission delivery.

III. Opportunities and Promises

a) Rio de Janeiro Government

The opportunities found in each category of purchases involved the management process and the steps starting from the design of the specification to the execution of the category via auction purchases. During the studies to achieve economies through changing the models of the government procurement, GES found these opportunities:

a) Rental service of vehicles.

- Increase the contractual term from 24 to 36 months;
- Change the deadline for exchanging vehicles: before stipulated for 24 months to 90.000Km of using;
- Extend the replacement vehicle deadline from two hours to four hours in the metropolitan area and 24 hours in the countryside;
- Extend the delivering deadline of contracted armored vehicles from 60 to 120 days and other vehicles from 30 to 60 days;
- It was established co-participation in corrective maintenance. It didn't exist before; and
- Monitoring reports and telemetry services were created. They didn't exist before.

Expect Benefits: R\$9.35millions /year (\$ 2.48 millions)⁴ - 4.6% of category spending

b) Communication Links.

- Increase the division of the auctioned lots from 3 to 4 lots;
- Increase the contractual term from 24 to 36 months; and
- Centralize control of services by the agency manager of the category, with a management software support.

Expect Benefits: R\$2.2 millions/year (\$0.58 million)⁵ - 1.9% of category spending

⁴ Exchange rate in 11/27/2015. (Federal Reserve)

⁵ Exchange rate in 11/27/2015. (Federal Reserve)

c) Rental service of air conditioning.

- Change the rental model for the purchase model;
- Divide the procurement in regional lots; and
- Increase the contractual term from 12 to 60 months.

Expect Benefits: R\$9 millions/year (\$2.38 millions)⁶ - 26.6% of category spending

d) Rental service of computers.

- Change the rental model for the purchase model;
- Increase the maintenance attendance time for the next business day; and
- Increase the contractual term from 12 to 48 months.

Expect Benefits: R\$12.9 millions/year (\$3.42 millions)⁷ - 22.4% of category spending

e) Cleaning service.

- Adopt objective criteria to measure the evaluation of services provided;
- Adopt the service specification for area to be cleaned and not for work stations;
- Increase the contractual term from 12 to 48 months; and
- Adopt price registration system.

⁶ Exchange rate in 11/27/2015. (Federal Reserve)

⁷ Exchange rate in 11/27/2015. (Federal Reserve)

Expect Benefits: R\$11.3 millions/year (\$2.99 millions)⁸ - 4.3% of category spending

f) Food service.

- Contract per amount of meals instead of contracting for days;
- Prepare food in the company kitchen instead of the agency kitchen; and
- Increase the contractual term from 12 to 60 months.

Expect Benefits: R\$22.6 millions/year (\$5.99 millions)⁹ - 4% of category spending

g) Medicines.

- Adopt price registration system managed by the Health Secretariat;
- Reduce the stock level;
- Review the payment flow;
- Modify the expiration date of medicines for 12 months; and
- Optimize the purchase periods.

Expect Benefits: R\$3.89 millions/year (\$1.03million)¹⁰ - 2.6% of medicine and hospital supplies spending

h) Hospital supplies.

⁸ Exchange rate in 11/27/2015. (Federal Reserve)

⁹ Exchange rate in 11/27/2015. (Federal Reserve)

¹⁰ Exchange rate in 11/27/2015. (Federal Reserve)

- Adopt price registration system managed by the Health Secretariat;
- Reduce the stock level;
- Review the payment flow; and
- Optimize the purchase periods.

Expect Benefits: R\$3.89 million/year (\$1.03 million)¹¹- 2.6% of medicine and hospital supplies spending

i) Office supplies.

- Increase the term of price registration system from 6 months to 1 year;
- Create quota for using paper per employee; and
- Switch the bidding for "lowest price per item" instead of "lowest price per lot."

Expect Benefits: R\$4.68million/year (\$1.24 million)¹² - 6.9% of category spending

b) US Federal Government

According to the GSA, federal agencies using the existing FSSIs spent \$171.3million through these initiatives and collectively saved \$54.8 million in FY 2014 Q2 (January 1, 2014 through March 31, 2014). The joint savings that the participating agencies realized ranged from 20 percent to 47.3 percent (on telecommunications expense-management and wireless services, respectively). However, studies of strategic sourcing by private-sector entities and public-sector agencies outside of the United States have found slightly lower rates of savings,

¹¹ Exchange rate in 11/27/2015. (Federal Reserve)

¹² Exchange rate in 11/27/2015. (Federal Reserve)

ranging from 8 percent to 20 percent of procurement costs. According to GSA, the key features of strategy were¹³:

Domestic Delivery Services

- Focused on reducing both visible shipments rates and “hidden” surcharges to maximize reduction in Total Cost of Ownership; and
- Business intelligence reports and analysis increase agency visibility into Total Cost of Ownership, resulting in improved shipping decisions.

Office Supplies

- Drove competitive pricing for the core items government users purchase most using robust usage pattern analysis and reverse auction techniques;
- Incorporated POS terms to reduce price variability and increase ease-of-use; and
- Solution balanced cost savings with socioeconomic and green considerations.

Wireless TEMS

- Allows agencies to identify “optimal” rate plans based on analysis of usage; and
- Reduces inventory costs and billing errors.

Wireless Plans & Devices

- Aggregation of volume to drive volume discounts and eliminate price variability; and
- Solution will be implemented with joint governance from Chief Information Officer Committee (CIOCC);

¹³ (US General Services Administration)

Multi-Function Devices

- Lowers costs and increases environmental performance by utilizing the most efficient equipment and making “green” print options the default; and
- Optimizes equipment deployment and usage through sophisticated managed.

Print Services

- Reduces equipment needed for printing, copying, scanning and faxing; and
- Includes print behavior and continuous process improvement components.

Janitorial and Sanitation Supplies

- Streamline product catalogs and ensure lower prices; and
- Group products into four categories.

Maintenance, Repair & Operations Supplies

- Offer uniform prices;
- Measure total cost savings;
- Report/transactional data;
- Aid agencies in managing their spend;
- Reach socio-economic goals;
- Drive regulatory compliance; and
- Provide sustainable solutions.

IV. Actual Experience and Results Already Achieved

a) Rio de Janeiro Government

The purchase category that most advanced in the project and that was the first to achieve the implementation goals of the new procurement model was the category “Rental Service of Vehicles”. The hiring of service of vehicles was already centralized by the Planning and Management Secretariat through a Price Registration System that met all the agencies of the Government. Centralization was the factor that facilitated the decision-making in this category.

Another facilitator was related to the magnitude of the changes suggested for the category. The model was already very similar to the model that the supplier market offered in large-scale, then the suggested changes didn’t have a very big impact on how managers work in the category.

The supplier market of rental cars is a mature market with large national performance companies. It promoted a strong and healthy trade dispute.

The changes to the “Rental Service of Vehicles” category do not involve a high political risk. The service does not take part of the core business of the Government, so it is not directly perceived by the customers of the services provided by the Government.

On the other hand is the “Rental service of air conditioning” category. The category’s decision-making process is hampered by the large number of actors involved. The main solution found for this category involves a big change from a rental model to a purchase model.

The market for “Rental service of air conditioning” is highly immature, with few competitors with the operational capacity to meet the entire demand of the Government. Finally, the most complicated factor in the implementation of this category was the huge political risk. The air conditioners in the Government schools of Rio de Janeiro were part of a project initiated in 2009 by the Education Secretariat. With the adoption of the project, all Government schools of Rio de Janeiro were obligated to have air conditioners in classrooms. The risk of stopping the project represented a huge resistance to any change in the contracting model. Despite the high cost and the inefficiency in the process, the goal of having air conditioners at school was being achieved.

The GES Project of Rio de Janeiro Government has currently one commodity level metric. It was applied just to the “Rental Service of Vehicles”. It will be applied to the others categories from the time that the hires are occurring.

Rental Service of Vehicles Metric					
Type	Hired Price 2013 (R\$)	Hired Price 2015 (R\$)	Variation	Consumption(Nov 2015)	Benefit
Representation Vehicle (Secretary)	R\$ 1.856,81	R\$ 1.650,00	-11%	67	R\$ 13.856,27
Representation Vehicle (Armored)	R\$ 4.362,71	R\$ 4.270,00	-2%	47	R\$ 4.357,37
Representation Vehicle (Under Secretary)	R\$ 1.210,92	R\$ 1.000,00	-17%	129	R\$ 27.208,68
Service (sedan)	R\$ 1.113,02	R\$ 950,00	-15%	302	R\$ 49.232,04
Service (hatch)	R\$ 1.064,08	R\$ 983,00	-8%	38	R\$ 3.081,04
Van	R\$ 4.160,54	R\$ 3.890,00	-7%	89	R\$ 24.078,06
Pickup (double cabin)	R\$ 3.468,89	R\$ 3.693,00	6%	21	-R\$ 4.706,31
Pickup (single cabin)	R\$ 3.393,34	R\$ 3.449,00	2%	1	-R\$ 55,66
Mensal Benefit					R\$ 117.051,49
Annual Benefit					R\$ 1.404.617,88

Table 2 - Rental Service of Vehicles Metric

b) US Federal Government

The United States Government Accountability Office (GAO) was asked to assess the extension of managed spending and achieved savings through strategic sourcing. GAO analyzed the 2011 fiscal year data from the Federal Procurement Data System – Next Generation (FPDS-NG). The selected agencies for the analysis were the Departments of Defense (DOD), Homeland Security (DHS), Energy and Veterans Affairs (VA).

The four agencies together accounted for 80 percent of the total \$537 billion federal procurement spending but reported managing less than 5 percent (\$25.8 billion) through agencywide strategic sourcing contracts and achieved a combined savings of \$1.8 billion. When strategic sourcing contracts were used, selected agencies generally reported savings ranging from 5 percent to over 20 percent of spending through strategically sourcing contracts. Most of the four agencies' current and planned strategic sourcing efforts do not address their highest spending areas. Agencies are leaving large segments of spending unmanaged, particularly in the area of services. GAO noticed that as the amount of spending managed through strategic sourcing at agencies increased, reported savings generally increased too. Agency officials stated that not all categories of spending are good to apply the strategic sourcing methodology (United States Accountability Office (GAO), 2012). The agency noticed that selected agencies are procuring many of the same types of categories. GAO found that agencies with more mature strategic sourcing programs managed more spending through the program than the agencies with less mature efforts. The FSSI face challenges in communicating information initiatives as well as establishing and meeting utilization goals to measure the effectiveness of the efforts and to realize cost savings. A lack of leadership commitment is also a problem. GAO also found a lack of dedication of resources. Some agencies did not have a formal strategic sourcing program office. In 2009,

the FSSI reported that the resources constraints were the main barrier to the implementation of the strategic sourcing in the organizations.

GAO identified the key disincentives to agencies participating in the strategic sourcing program:

- A perception that report savings could lead to program budgets being cut in subsequent years;
- Difficulty in identifying existing strategic sourcing contracts that are available;
- A perception that the program may limit the ability to customize requirements;
- A desire on the part of agency officials to maintain control of their procurement;
- Agency officials' relationships with vendors; and
- The opportunity to get lower prices by going outside the program contracts.

FSSI use is not mandatory and agencies face no consequence for not using the FSSI contract solution. GSA officials indicate during the GAO research that they are revisiting whether mandatory using policies would benefit the current FSSI initiatives (United States Accountability Office (GAO), 2012).

The FSSI contracts have low rates of use and the program has not yet targeted the products and services on which the Government spends the most. Opportunities exist for agencies to realize significant savings by applying strategic sourcing in these areas. Procurement at federal agencies continues decentralized, with hundreds of separate contracts for many commonly used items and the prices varying widely. If, for example, information commodities were covered by an FSSI in FY2012, the federal government could have saved in the range of nearly \$25 million to \$100 million on information products and services. This range of savings is based on different scenarios of 5-percent to 20-percent savings on those commodities, reflecting the aforementioned discounts that federal agencies have realized in existing strategic-sourcing initiatives administered by GSA. (The Library of Congress, 2012)

V. Conclusion

During the progress of implementing the Strategic Sourcing methodology, it was realized that the implementation was easier or harder mainly due to these factors:

- Centralization of decisions;
- Amplitude of the suggested changes;
- The supplier market maturity; and
- Political risk.

The success of the program was also influenced by the selection of the products and by the measuring of the opportunities costs. The American Initiative shows that most of the agencies did not pick the highest spending categories to strategic sourcing. The FSSI also shows that a big structure of governance can hamper the communication among the program actors.

The GES Project is a public policy that obtained achievements that were expected since the SIGA implementation. It provided the revision of the procurement procedures and the revision of the rules of materials' and services' purchase processes. All these steps improved the quality of public expenditure. The current fiscal pressure and budgetary constraints have increased the need for taking advantage of strategic sourcing and other efficiencies.

Some difficulties were found in several purchase categories during the execution of the GES. Some categories succeeded, obtaining financial results and quality improvement. Other categories had a lot of problems to advance. The interests in the improvement of performance are in conflict with those who benefit from the maintenance (MEYER, 1989). In

some purchase categories, the procurement teams were very resistant to the ideas brought by the GES. The procurement teams in public organizations must be a builder of core competencies and a differentiator. As in American Federal Government, there is a lack of leadership investment in the procurement teams of Rio de Janeiro agencies. There are also difficulties in standardizing procedures through the agencies.

The experience brought by the initiative of Planning and Management Secretariat of Rio de Janeiro Government in driving a strategic sourcing project, showed that the methodology applicable in private companies need to have some attention points in dealing with possible risks typical of Public Administration. Managing Strategic Sourcing in Public Administration can be difficult for many reasons, including inflexible organizational structures and their norms. It is important to emphasize the need for transparency in the actions undertaken by public agencies, especially in the interaction with the supplier market. The utilization of public hearings assumes great importance during the conduction of the project.

By evaluating the initiatives, it can be observed that a strong leadership support is necessary to create a sense of urgency and ensure broader buy-in and support across at the government. A strong and easy communication process that engages all stakeholders is critical to ensure a complete understanding of the project. The support and commitment of senior management is essential to facilitating the agency's efforts to reengineer their acquisitions process. Lack of commitment and participation of the agencies in the Improvement Teams were a negative point during the GES execution. Some agencies in US government increased personal incentives for key managers by adding strategic sourcing performance measures to certain executives' performance evaluations. The multiplication of knowledge obtained by SEPLAG's servers to other state agencies will be important. A

memorandum to agencies with guidance on applying the methodology and calculating savings should be a good alternative.

As in the American initiative, a) the agencies' perceptions that the program may limit the ability to customize requirements, b) the desire on the part of agency officials to maintain control of their procurement, and c) the agency officials' relationships with vendors, are also disincentives faced by the agencies participating on the Rio de Janeiro project. A revision whether it is mandatory to use policies should benefit the projects' results.

It is necessary to establish metrics and targets to all the government agencies to measure the performance in order to ensure program progress and accountability. The transformational and technical nature of a strategic sourcing project requires stringent criteria for selecting individuals playing critical roles in the program. The Rio de Janeiro Government can utilize SIGA to allow greater visibility into agencies' expenditures. The agencies must be willing to embrace the strategic sourcing concept and to commit to use the resulting strategic sourcing solution. It is also necessary to have a great commitment from the agency holders. Not only the government but the industry must also be willing to cooperate in order to achieve success (a win-win orientation). Strategic sourcing and procurement transformation impact every internal and external supply management process and relationship and therefore requires a significant commitment in terms of resources, time, and energy by virtually every part of the organization (Wallace & Xia, 2015).

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