

2010 NASPO Cronin Awards for Procurement Excellence

Buy Michigan First Program

Submitted by the State of Michigan

Department of Technology, Management & Budget

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2010 NASPO Cronin Award Nomination
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The State of Michigan's *Buy Michigan First* Initiative

Executive Summary

In 2006, Governor Jennifer M. Granholm initiated the *Buy Michigan First* program. This initiative aims to encourage Michigan businesses, including underrepresented vendor groups, to register with the state as vendors and bid on more than 1,050 contract opportunities worth billions of dollars. Keeping contracting dollars in Michigan has a multiplier effect by re-circulating money locally and enhancing job creation, the state's tax base, and individual incomes.

The Governor directed the Department of Management and Budget, now known as the Department of Technology, Management & Budget (DTMB), to take this message to the public. To accomplish this assignment, DTMB management tapped its Purchasing Operations division to lead the effort. A goal to award at least 90% of purchasing contracts to Michigan businesses was established. In 2008, these priorities got a boost from legislators, who designated additional money for the effort. An aggressive goal to double payments to underrepresented vendor groups by the end of Fiscal Year 2010 was set.

Strategic initiatives to support the goals of the *Buy Michigan First* program have included:

- Establishment of innovative approaches in business outreach, marketing, education and partnering to increase the participation of Michigan businesses in the bidding process
- Formation of a separate business development unit within DTMB's Purchasing Operations division to focus on expanding outreach
- Development of tools which can be replicated by other states and local units of government

In the process, the *Buy Michigan First* program has:

- Built goodwill with local communities and Michigan citizens
- Improved service to state agencies as well as to Michigan businesses
- Increased competition for state contract awards by increasing the number of bidders
- Garnered public recognition for the state

The results of the program have been impressive. Increased awareness of contracting opportunities have kept Michigan tax dollars in Michigan. At the start of this initiative, 86.75 percent of Michigan procurement tax dollars were awarded to contracts with Michigan businesses. In Fiscal Year 2009, the goal was met: Michigan businesses were awarded 90 percent of DTMB's contract awards. In addition, contract payments to several underrepresented vendor groups, including African-American, Hispanic, Asian and service disabled veteran-owned businesses, saw steady growth compared to the prior fiscal year.

Throughout its efforts to promote the *Buy Michigan First* initiative, DTMB has used a multi-level approach, which it is continuing into 2010.

NASPO Cronin Award Nominee

Buy Michigan First Program

Award Criteria: Innovation

Henry Ford once said you cannot build a reputation on what you are going to do. These words of action resonate deeply within Michigan, where a century ago Ford's automotive genius put the state on the map as a thriving home to industry. Today, after taking some hard economic hits to the chin, Michigan is fighting to bolster its economy and rebuild its reputation as a state with a flourishing economic base.

One such effort is the innovative and groundbreaking *Buy Michigan First* initiative, set in motion in 2006 by Governor Jennifer Granholm to aggressively increase the participation of Michigan businesses in the bidding process for the state's 1,050+ contract opportunities worth billions of dollars. Unique in its approach, scale, and magnitude of effort, this initiative seeks to re-circulate contracting dollars within Michigan's own local economies by enhancing job creation, individual incomes, and the state's tax base.

Significantly, after the appropriation of funds through the legislature in 2008, the Department of Technology, Management & Budget (DTMB) took the novel step of forming a Business Development Unit within its Purchasing Operations office to increase contract awards to Michigan businesses across the state, including underrepresented vendor groups. By incorporating a campaign similar to those utilized by the private sector, the Business Development Unit launched landmark targeted strategies in the fundamental areas of business outreach, marketing, education (internal and external), and partnerships.

Business Outreach

In the early days of this initiative, DTMB management recognized that success rested with building awareness among Michigan businesses of the bidding opportunities. To implement a targeted campaign, the department turned to its purchasing team to lead the outreach effort through public events, dedicated personnel, and technology tools.

Strategic Tactic: Statewide public events

The State of Michigan has committed substantial resources to outreach efforts. Staff have logged thousands of miles and met with thousands of vendors at hundreds of events over the past years. In Fiscal Year 2008, DTMB staff attended 48 events attracting 3,000 businesses. In Fiscal Year 2009, this number increased as staff participated in 75 outreach events reaching 4,700 Michigan companies. A Buy Michigan First Coordinator, Supplier Diversity Coordinator and Business Development Unit Manager have comprised the core outreach group since 2009. Public events are planned and conducted in partnership with chambers of commerce, minority groups, trade associations, governmental organizations, state legislators, and Members of Congress. By working through these groups, staff has built goodwill in local communities and with Michigan citizens. An increase in legislative awareness of *Buy Michigan First* and DTMB Purchasing Operations has been an added benefit.

Strategic Tactic: Diversifying vendor pool

To bolster outreach efforts, two supplier diversity analysts supported by funding from three other state agencies lent their assistance from late 2005 to 2009. During their tenure, they worked to attract more diverse businesses to the pool of vendors holding state contracts, with specific focus on disabled and service-disabled veteran business owners. They offered presentations at more than 20 events yearly and had many one-on-one sessions with business owners. Since 2009, the Business Development Unit has broadened the focus of its outreach events, connecting with governmental agencies, minority business groups and smaller chambers of commerce that may not have been reached during the earlier years of the program. The team has also worked on new ways to reach out in terms of the geography of the state. Staff are using videoconferencing and have borrowed technology from other agencies to connect with distant audiences. For example, in 2009, the Lansing-based team held quarterly videoconferences about state contracting at different locations in Michigan's Upper Peninsula to minimize travel costs and reach a greater audience. Webinars have also offered a cost-effective way to reach out. In 2009, four webinar contracting seminars were made available to state women's and minority organizations and the group is continuing them through 2010.

Strategic Tactic: One-on-one visits with vendors

An innovative approach used to interact with the business community is called "Vendor Visit Tuesdays." Purchasing Operations staff set aside Tuesday afternoons to meet with current and potential contractors. During these visits, conducted in person or via conference call, vendors have the opportunity to ask questions about current contracts or suggest alternative products and services for the state to consider during the next bidding cycle. During Fiscal Year 2009, 165 businesses took advantage of Vendor Tuesdays to learn more about opportunities to sell to the state. This represents a significant increase from Fiscal Year 2008 (115 vendor visits) and Fiscal Year 07 (52 vendor visits).

Marketing

While the *Buy Michigan First* initiative was initially branded in the governor's State of the State Address, the push to broaden awareness through strategic marketing efforts is spearheaded by the Business Development Unit which employs a multi-level marketing approach. Its scope encompasses key communication media, including Internet, print, and radio.

Strategic Tactic: Buy Michigan First Web site

The most important vehicle for communicating with vendor audiences is the *Buy Michigan First* Web site (www.michigan.gov/buymichiganfirst). With an average of 51,400 page hits per month, the site provides visitors with information on the registration process and state purchasing programs. A calendar of upcoming public events and seminars is also included.

Strategic Tactic: Print publications

Newsletter articles about state contracting were developed to distribute to statewide chambers of commerce, business and governmental partners, and underrepresented vendor group organizations. Different versions of the newsletters are circulated depending on space restrictions in target hard copy and online publications. Additionally, customized articles are prepared for use by state legislators and their staffs. A set of brochures and handouts describing the various state contracting avenues available to businesses was also developed. Topics include the business registration process, leasing opportunities, design and construction resources, information for business owners with

disabilities, a state contracting checklist, etc. Brochures are distributed at events and are also available online.

Strategic Tactic: Media toolkit

A media toolkit was created to help event sponsors promote the *Buy Michigan First* initiative in their local areas. The toolkit contains a group of press releases that can be easily modified. A pre-event release (for distribution 2-3 weeks prior to an event), a post-release (for distribution during or after an event) and a media advisory (1 week to 24 hours prior to an event) are included in the toolkit.

Strategic Tactic: Public Service Announcements

A thirty-second audio public service announcement (PSA) about *Buy Michigan First* was produced to help create awareness cost-effectively. A state video production facility was used, keeping production costs low. Since DTMB previously purchased an annual membership (\$240) to the Michigan Association of Broadcasters (MAB), radio stations are able to download the PSA at no charge from the MAB website - <http://www.michmab.com/pubmp3/index.php>.

Education

Given the breadth and magnitude of the *Buy Michigan First* initiative, the Business Development Unit created an array of training programs as well as online tools to support awareness, access and program processes.

Strategic Tactic: Training for businesses

To assist businesses with navigating the state contracting processes, the Business Development Unit has helped by offering the following targeted training tools:

- The core presentation to guide vendors on the basic steps of the state bidding process is “Contracting 101.” Several versions of this presentation are delivered at outreach events depending on the type of audience and allotted time frame.
- A complementary presentation – “Design and Construction Contracting 101” – is presented to audiences with an interest in pursuing state design and engineering services, environmental testing, and construction contracts.
- “Elements of a Quality Proposal,” which teaches vendors the expectations of state bid proposals, completes the set of standard presentations. Trainings are also posted online to provide vendors an additional way to access the information. Visit: http://www.michigan.gov/documents/buymichiganfirst/Contract101Web_237414_7.pdf

Strategic Tactic: Staff training on vendor diversity

In 2010, the team developed and delivered vendor diversity training sessions to purchasing staff to reinforce the department’s commitment to vendor diversity. The sessions also introduced participants to tools and techniques for diversifying vendor pools and building qualified vendor registration lists. After the initial sessions were conducted, plans were finalized to include supplier diversity training in ongoing DTMB Purchasing Operations educational offerings.

Strategic Tactic: Online vendor contract lists

The Business Development Unit provides an exciting tool to help vendors research and prepare for future bid opportunities. Since 2006, vendors have been able to view the state’s current contract list online and since 2008, each contract, in its entirety, has been posted. Vendors have been able

to review contract pricing and specifications to determine if their product or service may be of interest to the state (see http://michigan.gov/documents/web_contract_12037_7.xls). In 2010, staff analyzed the current contract list and categorized information about opportunities going out to bid over the next three to eighteen months. Using this information, vendors are now able to familiarize themselves with contract details and begin planning their responses without being faced with tight deadlines (see <http://www.michigan.gov/buymichiganfirst/0,1607,7-225--231848--,00.html>).

Strategic Tactic: Public email subscription for quarterly updates, news

Interested parties have been offered the opportunity to subscribe to a listserv and receive the associated quarterly updates automatically. This feature has proven very popular and since its inception, the number of subscribers has grown steadily. Between updates, staff is using the listserv to communicate other information about diversifying into government contracting. Subjects have included the state contracting checklist, suggestions on creating quality bid proposals, and information about free federal and state governmental resources available to assist businesses.

Partnerships

The Business Development Unit has forged strong partnerships with governmental agencies, minority organizations, chambers of commerce, and economic development groups in its mission to raise awareness of state contracting opportunities.

- ***Strategic Tactic: Build partnerships for training, shared resources, outreach***
 - One of its most valued partners is the Procurement Technical Assistance Centers (PTACs) of Michigan. Part of a nationwide network, this organization is dedicated to assisting businesses seeking to compete successfully in federal, state, and local government contracting. The PTACs often help arrange and participate in *Buy Michigan First* seminars and have been trained to deliver “Contracting 101” to clients without the participation of Business Development Unit staff.
 - Other partners include the Small Business Technology and Development Centers (SBTDCs) and the National Minority Supplier Development Council (NMSDC). SBTDC speakers often appear at *Buy Michigan First* events to provide information on resources to assist small businesses - namely, counseling, training, research, and other services.
 - In its effort to diversify the state’s supply base, staff have established a close relationship with the Michigan branch of the NMSDC and regularly provide instruction to its members on the state contracting process. The Business Development Unit has also collaborated with dozens of local organizations (too numerous to list) and continues to seek new partners in 2010.

Award Criteria: Transferability

The activities conducted in connection with the state’s *Buy Michigan First* initiative could easily be adapted for use in other states, depending on available resources. In fact, in 2009 Governor Granholm sought to expand and replicate the *Buy Michigan First* effort *within* the state. In her State of the State Address that year, she called for Michigan’s local units of government and educational institutions to implement their own policies to buy goods and services from Michigan sources. The Governor enlisted DTMB’s help to guide counties, cities, townships, school districts, colleges, and universities.

In response, DTMB developed and distributed tools to local units of government and shared insight on establishing purchasing policies. Customized toolkits were developed and included information to help public purchasers establish, strengthen and promote purchasing policies to buy goods and services from Michigan and local sources. The toolkits are posted on the *Buy Michigan First* Web site at <http://www.michigan.gov/buymichiganfirst/0,1607,7-225-54720---,00.html>.

Award Criteria: Service Improvement

Michigan has taken a three-prong approach to ensuring excellent service to state agencies and the business community. This approach includes cross-agency collaboration, dedicated vendor support systems, and transparency of Michigan's contract portfolio.

Strategic Tactic: Cross-agency collaboration

The Business Development Unit actively seeks to support the efforts of other state departments to increase expenditures with Michigan companies and diversify vendor pools through the following efforts:

- o Staff regularly contact purchasing managers from sister state agencies to share information and collaborate on pre-bid vendor meetings and outreach events.
- o In 2008, each state department director appointed a "Supplier Diversity Champion" to represent their agency. The responsibility of each supplier diversity champion is to encourage underrepresented vendor groups to participate in the state bidding process, participate in outreach events and internal ongoing activities, and report results. The Business Development Unit hosts bi-monthly meetings for this group to share ideas and listen to presentations from guest speakers.

Strategic Tactic: Dedicated vendor support systems

The entire DTMB purchasing staff is strongly committed to improving service to vendors through strategies aimed at making their bids successful.

When bidders are unsuccessful in obtaining state contract awards, DTMB buyers make themselves available to conduct debriefs, either in person or via teleconference. Buyers review vendor proposals and pricing and make suggestions for improving future bids. During outreach events and in one-on-one contacts, the Business Development Unit staff promotes debriefs as a way vendors can increase the probability of winning contract awards for their companies in the future.

Strategic Tactic: Contract portfolio transparency

Vendors are also encouraged to request contract information to help prepare for their next solicitation response. Through a Freedom of Information Act (FOIA) request, vendors may request copies of winning bid proposals, competitor bid proposals, losing bid proposals, and bid synopses. DTMB enthusiastically supports such requests, and documents are typically provided within five business days, are free if labor and duplication charges are less than \$10, and emailed when possible for vendor convenience.

Award Criteria: Cost Reduction

The number of bidders per contract opportunity has increased markedly since the *Buy Michigan First* program began in 2006. From 2003 through 2005, there were on average approximately three bidders per contract. In 2006 this number leapt to over 6 bidders per contract. In the ensuing years, the average number of bidders per contract has continued to rise steadily – 7.04 in 2007, 8.45 in 2008, 11.18 in 2009 and over 12 year to date in Fiscal Year 2010.

While other factors may have contributed to this increase, the additional focus on vendor outreach has been critical. Although it is impossible to validate that higher numbers of bidders result in lower costs, it is generally accepted that increased competition exerts downward pressure on contract award amounts.

Award Criteria: Results / Public Recognition

The *Buy Michigan First* program has produced impressive results and garnered public recognition for the state. When the *Buy Michigan First* initiative was launched, 86.75 percent of DTMB purchasing dollars were awarded to contracts with Michigan businesses. The percentage of contract awards awarded to Michigan companies has increased from 86.75 percent in each of the ensuing fiscal years (2007 – 93%, 2008 – 88%, and 2009 – 90%). For Fiscal Year 2010, DTMB is once again on target to meet its assigned goal of awarding 90% of its awards to Michigan companies. While challenges remain regarding the goal to double payments to underrepresented vendor groups by the end of Fiscal Year 2010, many strides have been made.

Most notably, Michigan has made great strides with procurement involving veteran-owned businesses. Through the *Buy Michigan First* seminars and trade fairs, information about legislation favorable to service-disabled veterans* was widely disseminated to veterans. As a result, for Fiscal Year 2009, payments of more than \$14 million were made to disability-owned businesses. More than \$12 million went to service-disabled veteran-owned businesses – a 260 percent increase from the prior year. These efforts have not gone unnoticed. A national business magazine for veterans listed Michigan among the country's three most "vetrepreneur" friendly states. In its 2009 July/August issue, *Vetrepreneur* magazine listed Michigan, California and Missouri as standout states in their efforts to encourage veteran-owned businesses.

DTMB contract payments to several underrepresented vendor groups, including African-American, Hispanic, and Asian-owned businesses, saw steady growth in Fiscal Year 2009 over the previous year (143%, 390%, and 145% respectively). The Business Development Unit, in partnership with DTMB divisions and other state agencies, continues to reach out to minority organizations in its quest to diversify the state's vendor pool.

*In Michigan, a 2005 law set a goal of awarding three percent of all state contracts to service-disabled veteran-owned businesses. In 2008, the Legislature increased the goal to five percent. It also established a 10 percent price preference for most contracts that enables these businesses to submit bids up to ten percent higher than competitors and still achieve low-bid status. In March of 2010, the Legislature extended the price preference to construction contracts, further increasing opportunities for these businesses to win state contract awards.

