

You Get What You Pay For

Reforming Procurement Systems in Naperville, IL

Practitioner Guide

BRIAN MANDELL, JORRIT DE JONG, GUHAN SUBRAMANIAN, STEFAN NORGAARD,
ELIZABETH PATTON, AND MONICA GIANNONE

Overview

A case study is a story about how a person or group of people dealt with challenges or opportunities they faced. It is based on desk research and interviews with key actors, but it does not provide analysis or conclusions. It is written from the perspective of the protagonist(s) and is designed to raise questions and generate discussion about the challenges the protagonist(s) faced. Cases are meant to help participants develop analytic reasoning, listening, and judgment skills to help them make the best decisions in future contexts.

A case-based conversation is a way to anchor a conceptual discussion to concrete examples. It can bring a case to life and enable discussion participants to place themselves in the shoes of the case protagonist(s). It should also allow participants to surface a variety of perspectives. This guide is designed to help you run a conversation about the case, “You Get What You Pay For: Reforming Procurement Systems in Naperville, IL.”

Role of Facilitator

The facilitator leads a conversation with a clear beginning and end, ensures that everyone is heard, and keeps the group focused. The conversation can be broken into three distinct segments: exploring the case, diagnosing the challenges, and formulating takeaways. Some facilitation tips and tricks to keep in mind are below:

BEFORE the discussion

Make sure everyone takes the time to read the case and review the attached table in the Appendix to prepare for the case discussion. When setting up the room, think about situating discussion participants where everyone can see each other and you. Designate a note taker, as well as a place where you can take notes on a flipchart or white board. Plan for at least sixty to seventy-five minutes to discuss the case and takeaways (depending on participants’ familiarity with negotiation) and have a clock in the room and/or an assigned timekeeper. Mention that you might interrupt participants in the interest of progressing the conversation.

DURING the discussion

Encourage participants to debate and share opinions. State very clearly that there is no right or wrong “answer” to the case—cases are written so that reasonable people can disagree and debate different ideas and approaches. Be careful not to allow yourself or others to dominate the discussion. If the conversation is getting heated or bogged down on a particular issue, consider allowing participants to talk in pairs for a few minutes before returning to a full group discussion. Do not worry about reaching consensus, just make the most of this opportunity to practice thinking and learning together!

Case Synopsis

Naperville, Illinois was struggling to attract high-quality vendors that could follow through on procurement contracts—technology services contracts, in particular. Naperville’s original procurement process was called Quality-Adjusted Cost procurement, or QAC. QAC sought to simplify variables (price, quality, timeline, scope, and more) into a single metric, quality-adjusted cost, so that the city could easily and objectively evaluate bids and save taxpayer money. Above a minimum quality threshold, QAC meant the city automatically referred the lowest QAC bid to city council for approval.

Using QAC, there were instances when it seemed the best vendor was not selected. Procurement Manager Kim Schmidt advocated with Naperville leaders and the city revamped its procurement processes, starting with an IT and Technology Service Upgrades contract. Specifically, Naperville shifted to a procurement process called “Cost as a Component,” which placed greater emphasis on quality and long-term relationships with vendors. This new process involved three stages: an outcomes-based request for qualifications (RFQ) process; interviews and finalist selection into an active pool of vendors; and a narrowed Request For Proposals (RFP) process among qualified vendors for specific, competitive work orders.

This case asks participants to consider the benefits and costs of each system, using the frame of distributive and integrative negotiation models.

Conversation Plan

Part 1: Exploring the Case (20–30 minutes)

The goal of this part of the conversation is to review the case from the point of view of the people involved. Suggested questions:

- *What worked well with QAC?*
- *What challenges were associated with the QAC approach, and why? What were the benefits?*
- *What worked well with the “Cost as a Component” approach?*
- *What challenges were associated with the “Cost as a Component” approach, and why? What were the benefits?*

Use the attached table in the Appendix that defines distributive and integrative negotiation and apply to the Naperville case.

Part 2a: Diagnosing Negotiation Challenges (20–30 minutes)

This part of the discussion allows participants to analyze what the different procurement processes were accomplishing for Naperville and why. The discussion can be based on three simple questions:

- *What was the procurement team doing?*
- *Why were they doing it?*
- *How would they know when, or under what conditions, their new approach is working?*

Part 2b: Application (20 minutes)

If time allows, participants may apply the concepts discussed to their own negotiation challenges in small groups or plenary. Re-purpose the three questions above:

- *What are you doing?*
- *Why are you doing it?*
- *How do you know when or under what conditions you are doing it well?*

Part 3: Formulating Lessons (15–20 minutes)

This part of the conversation focuses on the lessons of the case that participants will continue to reflect on and apply to challenges in their work. Some sample, high-level takeaways to review after a productive discussion are the following:

- There are scenarios when a zero-sum price negotiation, or distributive model, is the best approach. This typically occurs when there are simple transactions, low stakes, and one-shot deals.
- There are scenarios when a negotiation approach more akin to “Cost as a Component,” or an integrative model, is a more strategic choice. This typically occurs when there are areas for mutual gain between counterparts (opportunities to “expand the pie” or “create value”) or when negotiations are higher stakes, multi-party, and relationships matter.
- The preparation and *process* that structures a negotiation “away-from-the-table” well in advance centrally shape outcomes and possible value claimed “at the table.”

Appendix

Table Distributive vs. Integrative Negotiation

Use this table to prepare for a conversation about distributive versus integrative negotiations.

	Positional Bargaining / Distributive Negotiation	Interest-Based Bargaining / Integrative Negotiation
Key Characteristics	<ul style="list-style-type: none"> - Win-Lose frame - Divides the pie - Typically opens with extreme positions, then gradually meets in the middle 	<ul style="list-style-type: none"> - Focuses on areas for mutual gain - Expands the pie - Creates value before you claim value
Pros	<ul style="list-style-type: none"> - Quick/efficient, requires little prep 	<ul style="list-style-type: none"> - Explores interests, avoids arbitrary outcomes, maintains relationships, promotes joint gains
Cons	<ul style="list-style-type: none"> - Rewards bad behavior, discourages creativity, risks relationship damage 	<ul style="list-style-type: none"> - Requires preparation, takes longer, may require more skill, requires creativity
Best used in situations when...	<ul style="list-style-type: none"> - Simple transactions, low stakes, one-shot deals 	<ul style="list-style-type: none"> - High stakes, multi-party, when relationships matter
In the Naperville case	<ul style="list-style-type: none"> - QAC 	<ul style="list-style-type: none"> - “Cost as a Component”
Benefits of using in Naperville case	<ul style="list-style-type: none"> - Ensures low contract price for city and taxpayer, more flexibility for cities to engage vendors for different work orders 	<ul style="list-style-type: none"> - Incentivizes city to cultivate relationship with vendor(s), focuses on more variables than price alone
Drawbacks of using in Naperville case	<ul style="list-style-type: none"> - May strain relationships with vendors, may be open to only larger vendors 	<ul style="list-style-type: none"> - May take too long for Naperville or may undermine its flexibility to choose different vendors

Under what conditions do you recommend distributive versus integrative approaches in city government?