



e-Procurement is already making a strong contribution to the push for shared services, writes Mark Say

Leading the Campaign

So you've agreed that your organisation is likely to obtain plenty of benefits from investing in e-procurement. What's the next step? Spent the time and money developing your own system, then a matter of years persuading suppliers to come onboard? Or go somewhere the work has already been done? Most would regard it as a no brainer.

While it has not been widely promoted as such, e-procurement has taken a lead in the development of shared services for the public sector. There are a handful of platforms in place, with a mixture of public and private sector involvement, and a large number of organisations pushing increasing shares of their purchasing through the systems.

Colin Whitehouse, chair of the National e-Procurement Project (NePP), says a couple of the prime drivers behind the trend have been that it saves authorities investing so much in the technology, and gives them a share of the economies of scale from a shared service.

"For example, with e-auctions," he says. "The benefits are not easily available to small authorities if they are acting in isolation. If they want the benefits they really have to do it as part of a shared service."

"It's similar with e-tendering. It's a great way of reducing costs but it only applies if it is done as part of a broader service."

"It's not so much the e-procurement itself which is driving it; it's more to do with the technological tools."





Plenty of the services are operating on a regional level: the IDeA Marketplace has a number of regional mechanisms, and Whitehouse cites the example of the North East Purchasing Organisation as a well established channel.

"It's not surprising that regional and sub-regional solutions are coming forward," he says. This may help to reduce some of the tensions that arise from surrendering control of the processes - a concern which is common in local government - as authorities are more likely to feel they retain influence over the way it is run.

"It will take time to overcome the tensions," Whitehouse says. "A shared service will not be in place at the drop of a hat, and some of the tensions need to be resolved. It's a matter of evolution."

NePP has never aimed to make any recommendations about specific solutions, but it has produced a guide to the various aspects of e-procurement - including e-sourcing, e-invoicing and purchasing cards - and the five main online marketplaces, evaluated according to different criteria.

Whitehouse says there is a degree of duplication, a factor which shared services are intended to prevent. This does raise a question of balance, and he says some organisations feel more comfortable with an ongoing choice of

systems and the ability to switch if they desire. But it does leave an element of tension, and his personal view is that the market will not support this number of providers into the long term.

A slightly different opinion comes from Adrian Gibson, director of business development for local government at EGS, which runs three shared e-procurement services for the public sector (IDeA Marketplace for local government, Unity for the higher education sector and BlueLight for the emergency services).

He says there has already been some rationalisation in the space, and that the four main providers are apparently settling into different niches for different parts of the public sector. But an element of competition remains and this can provide the balance between ensuring that the products will be further developed and avoiding a major duplication of effort.

Gibson identifies similar advantages for public bodies, in terms of time and financial savings.

"There's a common infrastructure where it's all across the same platform and in terms of collaboration can provide major benefits," he says. "And there's the implementation: if you're implementing your own system the costs can be particularly huge, but picking up one of these services makes

The benefits

- Lower development and implementation costs.
- Lower operating costs.
- Quicker electronic access to a range of suppliers.
- Potential to share management information with other members.

it much more manageable."

Suppliers can also obtain benefits through access to a pool of buyers and the adoption of more common processes. Gibson says that in the vast majority of cases there are no real problems getting them onto the system.

"For 99% of suppliers all they will need is a browser and an email address. There's no charge to these suppliers for coming onto the platform.

"The other 1% tend to be big companies that want us to connect to their sales order systems for XML invoicing. That does come at a cost."

He also says the regional initiatives have played a significant role in promoting the agenda. IDeA Marketplace includes groupings for areas such as Hampshire and Hertfordshire and Luton that allow members to carry out joint purchasing and share data.

"They're effectively forums to share services when a county council and district councils recognise that they want to do collaborative procurement," he says. "It puts in place a platform and all access an electronic catalogue

through one route.

"They can provide common management information and exchange data for informing future purchasing decisions. They're effectively learning from one another."

St Helens College provides an example of how an organisation is harnessing a shared e-procurement service. It has followed the route for about four years, originally using the Heep system run by Salford University - prompted by its membership of the Crescent Purchasing Consortium - but switching last year to EGS's Unity system for higher education.

"If they want the benefits they really have to do it as part of a shared service."



Julie Grace, the college's team leader of e-procurement, echoes some of the points made above.

"We did consider creating our own system, but the time and cost would have been restrictive," she says. "It would have cost more in development, set-up and operational matters.

"Most of the advantages now are in time savings; there used to be a lot more administration in getting an order through.

"The advantage of using Unity is that it interfaces directly with our core financial system from Symmetry. This means that all orders are placed from the financial management application using Symmetry's XML Connector module and goods bought online are only authorised subject to business rules within the core financial system.

"Finally, there is no need to re-key data and the user also has the knowledge to manage payments to the supplier. We estimate that we can save 10-15 minutes per transaction."

This could be extended for information about new suppliers to be uploaded back into the management system. She says the only significant hurdle is to get companies onto the system; even if it is a relatively straightforward process some regard it as a daunting step.

Grace says the college is confident that it can use the system to increase its e-procurement, and is aiming for online purchasing to account for 80% of the total in the next five years compared with a current rate of between 40-50%.

Multi-agency challenge

In more general terms, those leading the trend already have an eye on the next challenge. Colin Whitehouse says that NePP has begun to look at the possibilities of multi-agency procurement, with a project based in Portsmouth that looks at the work of the city council, the naval base and health and voluntary sectors. This has not yet involved looking at a shared electronic system, but focused on the more basic elements of procurement.

"They're asking each other 'Can we share the contract details' so that smaller organisations may be able to piggy back on the contracts of the larger organisations," he says. "Then the voluntary sector has been dealing with people who do ad hoc jobs that are under the radar of the other bodies, so they could have something to contribute.

Private sector: the Reuters network

Global information provider Reuters, recently acquired by the Thomson Corporation, runs a worldwide network of news and media. Its procurement systems were fragmented, but now its Procure-to-Pay e-procurement system brings consistency and associated cost savings across its operations in 70 countries, reports Tracey Caldwell.

Mark Thompson, Reuters' Procure-to-Pay systems manager, says: "Reuters' procurement and financial systems were fairly fragmented, with 47 different Oracle financials installed. We also had some financial systems in Asia. We wanted to know how much we were spending on laptops globally and had to go to 47 locations."

Reuters implemented e-procurement to give employees who need to raise requisitions from pencils to laptops a standardised application. "Wherever you are in the world the user will see the same screens and the same items to purchase," says Thompson.

It selected Oracle iProcurement, and when someone raises a request it is now approved by the budget holder before they send it on.

"In the good old days they would make a commitment to the supplier before the manager approved it," says Thompson. "Now there is a pre-approval.

"The trade-off is they have lost independence and flexibility. In an ideal world they would like to lift the telephone and an invoice comes. But if it was your business you would want to have approval."

The e-procurement system goes from end to end, linking employee to supplier. Oracle Supplier Network (OSN) is used to interact with suppliers. The purchase order used to be sent as an attachment to an email but now the system sends XML data files to the supplier, which are loaded straight into the system.

14% of all purchase orders by volume are by OSN, which is available free to suppliers; Reuters' goal is 20%. The reason it is not higher is that there is a large diversity in the IT sophistication of suppliers worldwide. So far, Reuters has devoted most of its efforts to electronic purchase orders; it plans to implement paperless invoicing in the next year.

Reuters has branded the procurement suite internally as "I Buy". It is supported by an in-house system, "I want to buy", which guides the users through the procurement. For example, it allows the end user to say they would like to buy a laptop or order a taxi and it talks them through the different processes.

Thompson emphasises the importance of training staff on the systems.

"If you don't make it easy you can't expect people to follow all the rules. When we first started doing this there was a significant degree of resistance. Each country has a totally independent system and there was some resistance to change. People didn't want to lose their own system. The change management was significant."

Now it is extremely rare to see anything other than two types of laptop in Reuters globally and there are fewer issues about using non-standard equipment. 50% of communications between end users and suppliers are automated and 50-55% of items are procured from the catalogue.

Thompson says if he was doing it again he would probably not do anything differently.

"There's plenty of good stuff emerging, and we are encouraging people to follow the lead."

NePP has supported this work with a series of workshops in the city, and is now looking at taking the lessons around the country.

He acknowledges that the multi-agency approach is likely to be more difficult, as there will be greater variations in the priorities than when a bunch of local authorities works together.

"But we don't think the technology or systems get in the way," he says. "It's more down to having the will to do it. They're currently looking at what could be the best ways of working together.

"Also, from the Transformational Government point of view it makes a lot of sense. At the end of the day Transformational Government is all about breaking down the barriers between the sectors.

"I think this will be a stepping stone."