

Jump-starting eProcurement

A Professional Advantage guide to doing better business



PROFESSIONAL ADVANTAGE PTY LIMITED

SYDNEY

Level 16
124 Walker Street
North Sydney
New South Wales 2060
Australia

Ph : (+612) 9919 8900
Fax : (+612) 9956 6930

MELBOURNE

Level 10
500 Collins Street
Melbourne
Victoria 3000
Australia

Ph : (+613) 9613 0205
Fax : (+613) 9629 3471

BRISBANE

Level 7
102 Adelaide Street
Brisbane
Queensland 4000
Australia

Ph : (+617) 3018 2400
Fax: (+617) 3018 2442

PERTH

Suite 5
56 Kings Park Road
West Perth
Western Australia 6005
Australia

Ph : (+618) 9389 4483
Fax : (+618) 9389 4400

LONDON

Hatton House
Bepton Road
Midhurst
West Sussex GU29 9LU
UK

Ph: (+44) (0) 1730 817 911
Fax: (+44) (0) 1730 817 908

Neil Richardson, Commercial Product Manager, Professional Advantage Australia.
Neil_Richardson@pa.com.au

Internet : www.pa.com.au/sun_ipos

Email : pacs_sales@pa.com.au

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Introduction

eProcurement offers most organisations a genuine opportunity to derive quantifiable business benefits around cost control, process efficiency and procedural visibility. These benefits will be maximised both during, and as a result of, an implementation project if the strategic goals are clearly defined and sufficient groundwork is done to ensure the project is adequately scoped and welcomed by the work force.

Building the business case for any project is vital to ensure validity of purpose and measurement of benefits – eProcurement is no different. This whitepaper is put forward as a discussion document for organisations embarking on an eProcurement project. Any business case needs to address three levels of applicability, the strategic, business and cost benefits to the enterprise. This document helps identify some of the procurement first principles, planning steps, critical success factors, key performance indicators and change management strategies that can be of assistance in formulating and supporting the business case for eProcurement.

Quantifying the benefits and calculating the **return on investment** are the major challenges for many contemplating a change project of any substantial nature. Benefits of course can be quantitative and qualitative – reducing the cost per transaction and thereby the real cost of doing business is a quantitative benefit that is frequently chosen as the compelling reason for change. In our opinion, and supported by coalface experience, whilst not devaluing this explicit metric, most organisations will genuinely struggle to define and calculate a meaningful “as is” transaction cost. The risk then for the project is that the final expectation of financial savings is not achieved – not through failure of the implementation to deliver on its charter – but rather due to the inaccuracy of the working benchmarks to start with.

We encourage project sponsors to be conservative with the likely quantitative gains where “as is” data cannot be accurately and consistently derived. Driving down achievable **quantitative metrics** such as: number of PO’s issued; number of invoices received without PO references; number of suppliers traded with; etc are generally far more accessible at the start of the project and can therefore be focussed on, and reported against, throughout the project and on an ongoing basis.

Metrics related to headcount are particularly valuable. If you can identify how many accounts payable FTEs (full time equivalents) are required to process a certain number of supplier invoices without purchase order references then that is a daily “dashboard” traffic light that can be tracked by senior management. A red light tells everyone that something has gone wrong in the business process. Rapid forensic and remedial action can be taken before there is any headcount pressure.



In the [Aberdeen Group](#) research “Invoice Reconciliation and Payment Benchmark Report” dated June 2005 the estimated average cost of processing a supplier invoice is over £20. Improvement on a benchmark such as this is worth chasing.

Qualitative benefits are the soft and intangible improvements to the business that can easily be pointed to and yet not accurately valued – however they are just as critical to the business as the more tangible. The benefits of operational consistency, predictability of outcomes, critical data integrity, procedural transparency and process efficiency cannot be under estimated and all deliver gains to the bottom-line. Improving the daily life of the people is also a noble and worthy goal.

Impetus for change: Currently the majority of work in your procurement lifecycle, including financial allocations, is probably done at the end of the line during supplier invoice entry. If this was performed automatically at the beginning of the process, when an item/service was requisitioned/ordered, then the financial data would be timely, accurate and consistent and thereby demand reduced human involvement, administrative drain, time-lag and cost.

The **purpose** of this document is to raise some of the issues and challenges, gains and benefits of an eProcurement project and help arm the project sponsor with the sort of information they need to guide such a project through its inception.





Every Project Needs a Vision

Every major business improvement project needs a vision and eProcurement is no different. Many vision statements for operational projects are limited by their focus on what we do now and what we want to achieve at a tactical level. For example, the following was a real-life vision statement for an iPOS for SunSystems implementation project:

'To deliver best value for money goods and services that meets the needs of the organisation at the best price.'

This statement is noble in its intent, however it fails to address and deliver sufficiently accurate goals and guidance to the project team. A properly crafted vision statement can play a fundamental role as a decision-making-tool when it comes to regaining focus and resolving conflict. The above statement was crafted in parallel with the adoption of a strategic framework with ongoing implementation and business improvement goals. Therefore our suggestion would be to more explicitly include strategic aims in the vision statement rather than the supporting goals.

With this in mind, we offer the following discussion points:

- Would the statement be improved as a project guide by the inclusion of “best practice”?
Purpose: Striving for business and process excellence is the platform for driving down the transaction costs of doing the transaction rather than the actual item purchase price – this is where the real savings are to be made.
- Is this really a single start-stop project or is the target of business excellence a never ending journey?
Purpose: Bring in acknowledgement that the changes will be “progressive” and the company will be continuing to improve its policies and procedures for the foreseeable future. Furthermore we are not trying to overcome every problem on the first pass. Some issues will be “parked” and revisited as seen fit in due course.
- “Best price” needs to remain as this is the guide to enforce on contract purchasing.
- Include “cradle to grave process”.
Purpose: This is the basis for worthy improvements such as not accepting invoices without prior approved purchase orders. This is traditionally an accounts payable component rather than part of the purchasing function however, a successful project will address the process end-to-end rather than edge-to-edge. It is also the basis for:
 - Ensuring the highest level of data integrity via item and service catalogues. Consistency of coding is threatened by having allocation decisions at invoice entry time rather than requisition time.





- Improving procurement analytics through such late in lifecycle metrics as higher volumes of PO numbers on invoices. To achieve this, the transactions need to be cradle to grave.

So our workshoped vision statement now becomes:

'The progressive implementation of a best practice procurement model that manages the process from cradle to grave for all items & services at the best price.'

As the project unfolds and the day to day challenges of reality are faced, the project team can ask themselves the following questions to guide them through the hard decisions and to gain maximum project benefit:

- Can this be resolved by progressive implementation?
- Will this be best practice procurement?
- Is it cradle to grave?
- Are we delivering best price to the business?

Answering the affirmative to the relevant questions from above when faced with confrontation or uncertainty **empowers the project team to self determination** in project deliverables and conflict resolution.





eProcurement Project Objectives

What are the objectives for an eProcurement project? What are the deliverables for this project and how do we articulate them to the user community to gain general support and buy-in throughout the workforce, not just from the management team with their focus on costs? The following are some common value propositions and supporting tenets.

Maximise Efficiencies and Process Savings

To standardise procurement processes, including accounts payable functions, across the company.

To eliminate non-standard process steps and categories of spend.

To achieve consistency in procurement outcomes.

To evaluate the need for job redesign arising from the adoption of eProcurement solution.

Structured project sponsorship, planning and management ensuring effective rollout of eProcurement solution and realisation of savings.

Make the Purchasing Function Easier for Staff

To establish a preferred basket of goods and services for the company to use to limit choice and search complexity.

To standardise and rationalise procurement tools and communicate, educate and train procurement staff about preferred procurement methods.

To provide general staff the access to simple, effective web based purchasing for routine ordering.

Facilitate Spend Aggregation Objectives and Strategies

To use a central eProcurement channel to analyse and monitor purchasing activity to prioritise, improve and enhance aggregation opportunities.

To use the eProcurement channel to monitor non-monetary service performance indices.

To link procurement outcomes to relevant strategic business goals.

Obtain more Meaningful, Useful & Timely Reporting

Use the central eProcurement reporting capability to effectively analyse total spend.

To monitor the company usage to ensure data is accurately captured for future analysis.

To develop purchasing analytics to monitor non-compliance to the company procurement policies.





Increase Supplier Contract Compliance

Implement tools to make adherence to supplier contracts and service level agreements easier and more accessible.

Use appropriate communication and training sessions to educate procurement staff on end-to-end process costs and the importance of aggregation and compliance.

Liaise with Human Resources to determine appropriate induction and ongoing programs for procurement policy and practice training.

To develop an appropriate Procurement Department charter and service model for the company.

Ensure Adherence to Probity, Ethics and Audit Requirements

Implement appropriate electronic workflow to support and adhere to current legislative requirements.

Implement appropriate financial delegations and administrative controls in line with the company procedures and current legislation.

Implement a random audit of transactions.

Include internal audit in the project team to ensure appropriate controls are implemented, without compromising efficiency gains.

Minimise Purchasing Channel Options

The company may be considering split purchasing channels such as eProcurement tools (iPOS for SunSystems), Purchase Cards (P-Cards) and a non-integrated external procurement portal (perhaps online catalogues for common office & administration supplies).



Eliminate fractured spend reporting.

Unfortunately, disparate purchase channels will give rise to a number of challenges for the company.

- There needs to be an ongoing commitment to purchasing through a central channel. Only a single common environment can truly drive down administration costs and human error.
- Ensuring P-Card usage compliance and administrating the approved controls (suppliers/items/hours/values etc) within the defined product





profile (low volume non recurring expenditure) is tedious, error prone and fraught with complexity.

- Maintaining expenditure within budgetary constraints across multiple purchasing channels can never be real time.

A more holistic approach to central procurement is preferable and delivers such benefits as:

- Continual identification of business processes requiring improvement.
- Development of common KPIs measuring the full effectiveness of the procurement solution.
- A single transactional cache for reporting and analysis purposes.

It should be a specific goal to reduce the number of procurement channels and particularly the crossover of any items between channels.



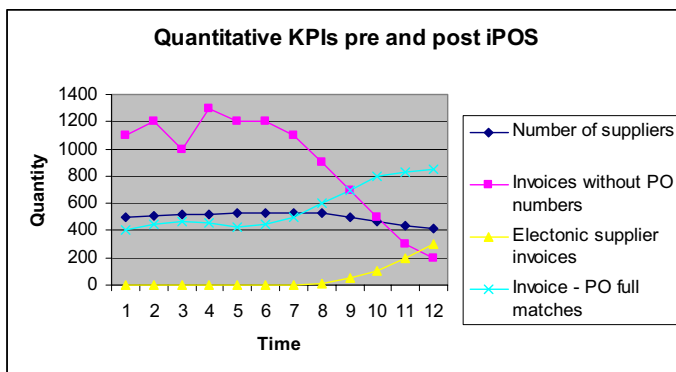


Purchasing Metrics

Historical Data Analysis

It is important to understand the current purchasing pattern of the company when embarking on an eProcurement project. In Australia and New Zealand it would not be surprising to have an average cost per procurement transaction of between \$40 and \$50. Getting a good grasp on your reality could result in realising savings that bring your average cost per transaction down to less than \$10, possibly a lot less.¹ What will that do for your bottom line and annual bonus?

In reality the challenge of defining an accurate transaction cost for all current methods of purchasing is particularly onerous. Furthermore how do you decide what is an appropriate target for an acceptable transaction cost? If you have access to industry best practice benchmarking analyses applicable for your organisation then you have something to aim at. Without such empirical data how do you decide whether a transaction cost of \$20 or \$15 or \$10 is appropriate. A focus on driving down transaction costs whilst measuring against an inaccurate starting point and an unreasonable target may be setting the project up for failure.



The following suggested metrics are reasonably accessible for most organisations and the goals of the project can be structured to link some key metrics to the headcount requirements of the business. The more suppliers you trade with, the more supplier invoices you process that do not have your purchase order on them and the more supplier invoices you get that do not directly match to an approved purchase order results in a costly human resources demand within your finance or purchasing department.

¹ “We determined our costs were \$42.15 per procurement transactionthat dropped to \$5.48” – Stan Pope, Policy Procurement Manager, New Zealand Police, iStart Quarter Three 2004.





We recommend focussing on these types of metrics for identifying improvements in the business. As an example, if a proportion of supplier invoices without PO numbers can be correlated to an Accounts Payable resource then a reporting or “dashboard” KPI can be invoked that warns management of a breach of the acceptable threshold. Remedial action can be initiated as a matter of urgency – otherwise you will be recruiting a new accounts payable clerk next month.

As the company processes improve and the knock-on effect of improvement in the supplier base occurs (through attrition, education or supplier replacement), the KPI thresholds can be raised and you will see the business performing at a higher level with the same or less FTEs. Again we see the benefits from progressive implementation rather than a specific milestone based schedule.

The following is a wide ranging list of metrics that may be important to your business and accessible from your existing purchasing data without too much trauma.

- What is the total monthly purchasing spend?
 - How is it distributed by month / department/ goods vs services?
 - How is it distributed between formal purchasing and informal employee expenses?
 - How is it distributed by one-off purchases vs regular ongoing turnover?
 - Excluding the taxi/entertainment style staff expenses what employees are incurring the highest purchasing claims?
 - What are they buying?
 - Why are they buying personally?
 - Are they buying from preferred suppliers?
 - Are they buying within negotiated contracts?
- How many active suppliers do you have?
 - And how many associated active items?
 - Have you categorised the suppliers?
 - How many do you really need in each category?
 - What is the average number of active items per supplier?
 - On average how many suppliers do you purchase from each month?
 - How many purchases per month are from suppliers you have never used before?





- What is the process for approving a new supplier?
- Who are the top 20% of suppliers?
 - By value and by transaction volume.
 - Have you negotiated volume contracts with them?
 - Are their invoices reflecting the contract values?
 - What percentage of purchases are 'off contract'?
 - Are you peppering suppliers with POs that could be consolidated?
 - Are you paying any type of transaction based cost that could be reduced through order consolidation (handling fee, delivery, returns management etc)?
 - What proportion of their delivery notes carry your PO number?
 - What proportion of their invoices carry your PO number?
 - What are the discrepancies taking the most time/effort to resolve?
 - Can they issue electronic invoices?
 - What proportion of their deliveries match the order 100%?
 - Do you have inconsistencies in unit of measure (i.e. 5kgs = 1 box)?
 - What proportion of their invoices match the order 100%?
 - What proportion of their invoices match the order within a reasonable tolerance?
 - And what is that tolerance?
 - Are there different tolerances for supplier categories?
- Who are the bottom 20% of suppliers?
 - What are you buying from them and why?
 - Can these products be purchased by other higher-ranked suppliers?
- Can any major suppliers offer an online catalogue that you can "punch out" to from an eProcurement system?
 - Will they provide some financial assistance to you to integrate to that facility?
 - Will they offer you increased discounts for using that facility?





- How much time does it take to raise an order from requisition to PO issue?
 - For the various product categories.
 - How many steps are involved?
 - How many times is the fax machine involved?
 - How many times does someone print or touch the same document?
 - How long on average does it take to get a request approved?
- Unapproved purchases:
 - What percentage of invoices received do not relate to an approved purchase order?
 - What percentage of invoices received does not relate to an approved supplier or item?
 - What percentage of orders is raised with a date later than the invoice date?
 - What percentage of orders has a delivery date of “today”?
- Invoice processing
 - Are invoices received centrally or by the person who requested the goods?
 - Average number of calls/correspondence received per month from Suppliers for invoices that have not been received?
 - Are you meeting your payment terms with suppliers?
 - Are you paying invoices that are not fully confirmed?
- Budget management
 - Can you manageably track your true budget position?
 - Is your budget checking real-time across all purchasing channels?
 - How long does it take to get notification of budget overruns?



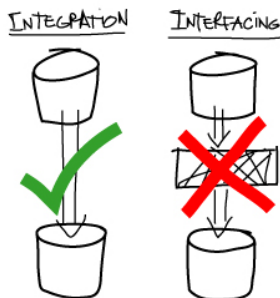
Common Procurement Challenges

The following is almost a re-statement of procurement first principles in a different guise – however we want to ‘name the game’ as it pertains to the reality of a company’s daily operations. This section is intended to stimulate debate rather than be considered a prescriptive approach.

Integration

‘We’ve now realised that it’s only by integrating with the financial and catalogue systems of buyers and suppliers, that we can gain the full benefits’, says Allan Stewart, e-Marketplace Business Manager, LogicaCMG.²

Tight integration with the back office system is fundamental for the objective of data integrity and people’s confidence in the accuracy and reliability of the system.



The system must be designed to ensure;

- Referential data is real time.
- Coding allocations are, wherever possible, automatic.
- Budget checking is real time.
- Commitment accounting is accurate.

Single Source of Truth

The concept of single source of truth is strongly linked to the previous point of integration.

‘The degree of integration is probably the biggest constraint on an eProcurement project’ - Greg Higgins Cap Gemini Ernst & Young, Technology & Business May, 2004.

If a supplier is suspended, it must apply everywhere and instantly.

² www.smartbuy.nsw.gov.au/news/index.htm “Introducing smartbuy”



If budget control is applicable it must be accurately tracked and checked.

If procurement analytics are to be relied upon then they must show common results at all points in the supply chain.

Change Management

The procurement objectives and critical success factors set by the project team are important and the eventual achievement will depend on the level of user acceptance of the system. Effective, timely, company-wide communication about the project plans and journey are absolutely essential.³

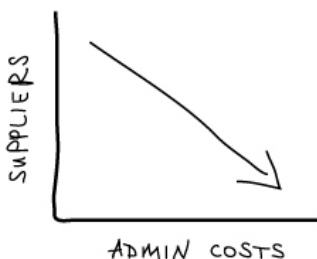
User Acceptance

Users must be part of the process and the enthusiastic take up and acceptance of the system is a foundation stone for a good procurement system. This needs to be focussed on throughout all stages of the project. The user community must be informed, educated and encouraged throughout the project life cycle.

'The tools will be useless if you haven't delegated to the front line the authority to use them', says John Kost, managing vice-president of Gartner Government Research, Sydney Morning Herald - June 8, 2004.

Reduce the Number of Suppliers

As already stated, we do not generally think that headcount reduction should be a primary goal of the project but, in reality, it will most likely be a real and beneficial outcome. The fewer suppliers (and items) and associated transaction queries you deal with will certainly translate into savings in administrative effort and resource demands.



³ Professional Advantage has also published a change management business guide based on our extensive experience in systems implementation over the last fifteen years; to request a copy please browse to www.pa.com.au/sun_ipos/whitepapers.htm





Budget Management

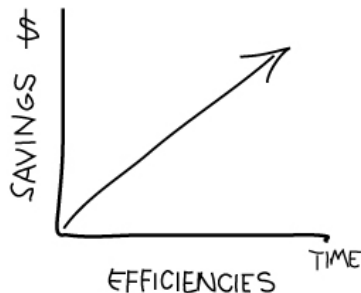
Real time integration with the back office system is essential for budget checking. The procurement system should manage soft and hard commitments to enable accurate budget checking. This approach is the only way that your line managers can commit to the budgeted spend and stay within constraints.

Currently we would suggest that there is a significant amount of spreadsheet activity being done so the managers can control their budgets. Addressing this automatically releases people from wasteful administrative tasks.

Eliminate Administration

Unnecessary paper handling, keying of data and seeking retrospective approvals are just some of the tasks that are costly and can be avoided. Without compromising internal control, if the procurement project is able to eliminate administration, the benefits will immediately start accruing:

- People are freed up to do tasks that add value to the organisation. Unnecessary administration does not complement the company obligations for service delivery.
- Data and associated analytics will become more accurate and reliable as code allocation becomes automated, timely and instantaneous.
- Costs per transaction will reduce dramatically.



Good Governance

Corporate governance is coming to public and private sector organisations in a number of forms. Good governance has always been an objective of a mature manager but the shift now is in the nature of reporting so that third party organisations can make the judgement. Part of this process is the system of internal control that is adopted in the organisation. For your company the definition and implementation of an automated procurement process will address these requirements.





eProcurement is just Procurement with Technology

(e)Procurement is procurement, just made simpler, faster and better with technology. That is not to say there is no opportunity for improving the underlying process of purchasing goods and services, but rather that the emphasis is on the procurement process, not on any underlying technology.

For procurement to be successful it is necessary to ensure that the business processes are reviewed, defined, refined and approved.

The ongoing elements that need to be considered include.

- Ongoing management of the procurement system.
- Continued adherence to, and refinement of, the approved policy and procedures.
- Continued cross functional inputs into the process.
- Monitoring performance of the system.

Approaching a Procurement Project

As a point of reference we state the first principles of procurement and technology based procurement (e-procurement). With a project of this nature it is important to always consider the three prime influences – people, process and product.

- **People:** A brilliant idea on its own is not enough for a successful innovation. The greatest innovations happen when people "join up their thinking" on a challenge. In order to make that brilliant idea a reality, people need to work in a team that energises them in an open environment of trust and respect.
- **Process:** The business processes need to be challenged, reviewed, agreed, supported and implemented. Just because you have always done a business process a certain way does not mean it can not be changed. To eliminate administration and remove duplicated meaningless processes, the project team needs to challenge existing business process.
Keep a note of the business processes challenged, reviewed and improved – the small wins can very quickly translate into large savings and the enthusiasm and acceptance of the project will increase as these mount up.
By communicating the wins and savings regularly you will help to create a positive environment for success.
- **Product:** Some first principles for selection of an eProcurement solution are:
 - Seamless integration to the core management system





- Common, supportable technical environment
- Minimum impact on the end user

iPOS is tightly and seamlessly integrated to SunSystems. This is essential for the initial and ongoing success of electronic procurement systems.

The benefits of true integration include real time access to budgets, transaction allocation rules, supplier trading status, supplier addresses (SunSystems 5) and other underlying SunSystems reference data. This gives people the confidence of a single source of truth as they work through their day.

iPOS is a web browser based solution with zero application footprint on the user's PC, has an intuitive and friendly interface and is deployable inside and outside the corporate firewall.

Set an Audacious Goal and Start Small



Company procurement requirements may be complicated by a number of factors, some of which may include:

- Geographical challenges.
- Current fractured purchasing policies.
- Very different demands for goods and services across the enterprise.
- Conflicting demands of process owners across the business.
- Unrealistically high expectations of senior management.
- Unreasonable/unfathomable disinterest of senior management.



- Wide range of personnel types including directors, managers, clerks and contractors.

Often the “start small” principle is defined as a pilot where only a subset of the business processes is addressed. Typically this will be an easy area such as office/administrative supplies. This does not replicate a genuine business environment.

An alternative and preferable approach is the establishment of a control group/site with all, or at least a significant majority of, core business processes represented. A compromise in the procurement ruleset design can be costly and a control site approach quickly flushes out the potential problems across the business where a process subset approach would not.

The control site can help in identifying what if any data and process specific documentation will be needed as the system is rolled out across the wider community.

Control sites are useful also for the purpose of communicating the experiences amongst the organisation as part of the change management program. Beneficial experiences are important in creating a ground swell of support, besides the obvious opportunity to have failures on a smaller, less public scale.

This approach allows the project team an opportunity to hone the solution, resolve flaws, embrace wins and gives them the confidence to attain the program's more audacious end-goal.

Action

Select an accessible and manageable (friendly) control site that is suitably representative of the majority of business processes in the company.





Automating an Inefficient System Will Not Deliver Benefits

This principle often attracts floods of querulous response and feedback. It is the most important and hardest to achieve as there are a number of subset principles involved.

- Cross functional approach is mandatory for success. The project team must include the business process owners.
- Take a hard-line view on administration. The ultimate goal is to eliminate all unnecessary administration – no value is added by staff entering data or double handling paper. Take the approach that the word processor, spreadsheet and fax machine are your enemies.
- Good governance requires the establishment of policy and procedures underpinning procurement. An important step during the implementation of a procurement system is to confirm and publish the policies and procedures that guide and constrain the systems.



Some recently published real world commentary that emphasises the value of examining the procurement policy and practices include:

*'Overlaying an online system onto an inefficient process was not going to deliver improved practices.'*⁴

John Kost, managing vice-president of Gartner Government Research adds that although there are good tools available, *'the fundamental issue is policies and procedures'*.⁵

Further, *'e-Procurement has given us an opportunity to make sure our purchasing policies are not just technical responsibilities but are based*

⁴ Rob Jakobi, Divisional General Manager Purchasing, Toyota - Sydney Morning Herald - June 8, 2004.

⁵ Sydney Morning Herald June 8, 2004.





on sound purchasing practices which add value to the process. This is where the real benefits have occurred. In fact this is where the real benefits will occur for any organisation'.⁶

Approach

The company project team will need to map out the current procurement processes from end to end. It is important to understand the “as is” of what you do now and why you do it. In reviewing the processes for improvement and automation the project team should look to eliminate administrative tasks, data reprocessing (e.g. sending an email requesting a purchase to a purchase officer who then collates and prepares the order), unconsolidated orders and re-evaluate the payment cycles.

Actions

Suggested actions:

- Create a procurement project team comprising suitable representatives from the business.
- Agree on an approach to administrative tasks.
- Evaluate all business processes and eliminate administrative tasks that add no value.
- Evaluate the payment business process.
- Define and publish the approved procurement policy and procedures.

⁶ Shaun Collins, Supply Coordinator, Whitehorse City Council, Victoria, Australia, - Councillor magazine - June/July 2004





How Far Should You Go Digitising Your Processes?

....technologies enabled improvements to companies' operating models and then made it possible to replicate those improvements much more widely....¹⁷

What can I consider including in my first pass?

The initial 'flush & enthusiasm' for a new procurement system is a great time to consider digitising procurement processes. The first processes to consider can include automation of suppliers, reference data such as analysis codes and inventory items. These are in themselves not exciting processes but follow the concept of 'inside voices small footsteps' to deliver the organisation an understanding of what is possible and quickly achieve able.

Digitising these processes will be a good foundation for the change management necessary to address further spend control processes.

When should I consider expanding the initial slate of digital processes?

Each digital process will deliver a ROI through lower costs, compliance with corporate policy and user acceptance. Otherwise what would the motivation be to digitise the process? So when should I start? Soon as practical, as the organisation starts 'banking' the ongoing repetitive savings.



What is a digital process?

A process is easily understood by all organisational managers. A digital process automates all the steps in a defined process. The process then is typically run from a browser. A significant number of users are now displaying the various processes within the Microsoft Outlook or SharePoint folders. This is extremely useful in smoothing user acceptance and delivering fast payback.

¹⁷ Harvard Business Review July – August 2007





Contrast manual and digital processes.

The contrast of manual and digital processes was explained to me recently by an ex staff member who went off to join a bank. At Professional Advantage we have long had senior management commitment to digitising business processes. A Professional Advantage team member would find it usual to be able to process electronically such items as expenses, new accounts, requests for leave, travel requisitions, project details, time sheets and supplier details. Imagine our reaction when the former team leader explained the expense re imbursement process at the bank involved preparing a spreadsheet, organizing manual sign off by his manager plus having to send the paper documents to finance!

The cost of digitising the Professional Advantage expense re imbursement process was recovered in a matter of months plus Finance now have visibility of every expense line. In contrast to a manual process with very limited visibility.

How should I approach digitising my processes?

Each organisation will have its own approach to how best achieve change. To commence digitising your processes requires internal champions and execution 'muscle'. Therefore all the parts need to be there for the digital process program to maximise effectiveness. On balance we see that 'train the internal systems champion' as the most effective and as long as they have senior management support your costs of doing business are quickly lowered.

Benefits from digitising my processes

There is a long list of potential benefits that could accrue to your organisation but what benefits actually accrue is probably a case of 'It depends'. The biggest benefit in our experience is banking the productivity dividend that arises when the cost per process is reduced and is always the same process, no matter what.

The benefits that you could expect include:

- Become more productive.
- 100% compliance with the stated processes
- Visibility and transparency on every process submission for all stakeholders
- Elimination of manual intervention and costs of manual rework
- Ability to focus on exceptions as no effort is required of compliant transactions or processes
- Digitise corporate memory
- Eliminate inconsistency in existing processes
- New staff members 'know' where to find and what the processes are without formal training
- Make the processes seamless by making them Microsoft Outlook processes





Give me some examples of digital processes that other organizations have considered

This is not an exhaustive list of processes and has been compiled to give some encouragement as to what is possible.

Request New Supplier	Travel Requisition
Update Supplier Bank Details	New Carer Contract ID
Reset User Password	New Referral ID
User Maintenance (Add/Update User)	Employee Exit
Reroute Workflow Tasks	Contractor Exit
Manage Group Membership	Load Creation
Role Maintenance	Load Receipting
Manually Archive Process	Item Inspection; QA
Update BSB File	Item (Batch) Transfer
Update Bank Account Details	Cycle Counting
Invoice Registration	Stock Take Management
Purchase Invoice Approval	Despatch Sales Order
Intercompany Matrix Management	Create/Update Return
Request New Customer	Advice
Request Customer Update	New Analysis Code(s)
New Project Creation	New Account Allocation
Update Project Details	Code
Employee Embarkation	New Item
Update Employee Details	New Asset
Expense Claim Management	Request Link Supplier
Process Development	Financial Statement
	Management
	Quotation Management





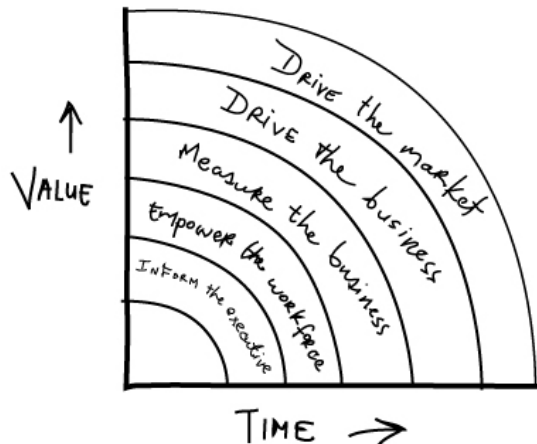
Progressive Implementation

Like many major technology projects, an eProcurement implementation has the best opportunity for success when it is approached in a sensible way. Often at the start of a project all stakeholders are asked for their input and the resulting project scope is enormous and the challenges seem almost insurmountable (after all, cap-ex projects only come along every now and then and everyone wants their slice of the pie). Confidence and enthusiasm wane amongst the sponsors and champions and involvement in the project may be considered a “hospital pass”. It doesn’t have to be like that.

By all means scope out the complete nature of the project however breaking it down into digestible and do-able phases gives stakeholders a sense of pace and progressive achievement (and of course for some that actually means delayed gratification). It also manages people’s expectations about what can and will be delivered at various stages through the schedule.

It is perfectly reasonable at times during the project to ring-fence specific issues and requirements, registering them for further assessment at a later stage in the project. The challenges may even reduce or disappear as a result of the outputs from earlier phases in the project anyway.

The following maturity model suggests a progressive implementation approach breaking the deliverables down into specific management outputs.



So how can a progressive eProcurement implementation overlay the five stages of this maturity model?





Inform the Executive – the first major beneficial outcome is the true, single source, performance reporting and analysis available on corporate spend via the single purchasing channel. Discovering the answers to the “Who spends what where?” questions can be very enlightening for the business.

Empower the Workforce – properly controlled and enforced delegated approvals can push responsibility and accountability for appropriate levels of purchasing throughout the organisation to the people whose lives are most improved at a day to day level by reduced time-lag and increased communication in the supply chain. Elements of electronic trading such as punching out to external supplier catalogues, issuing electronic orders and accepting electronic invoices can radically reduce the level of tedious paperwork-driven administration for people. Make it easier for people to do their job.

Measure the Business – as the purchasing history within the single, reportable channel increases, opportunities arise to identify patterns and trends and to target policy breaches and supplier non-compliance. KPI's can be defined and implemented across the business that can signal areas of threat and identify candidate processes for further improvement.

Drive the Business – with the array of new business information and systems of internal control in hand, opportunities abound for aggressive and supportable supplier contract and service level negotiations – with the added possibility of further discounts for electronic trading.

Drive the Market – the opportunities for this level of maturity will depend heavily on the industry you operate in and your position within it. You may discover it is possible to “scrape” volatile item pricing from your suppliers’ online catalogues and make real-time decisions at order generation regarding which supplier is currently offering the best deal. You could require your suppliers provide this facility to achieve preferred status for your business.





Lure People to use the System

The enterprise benefits of using an electronic procurement system are known and undeniable. Therefore the biggest challenge is to get the people to choose to use the system and thereby guide them through the process of adhering to the rules. Every effort should be made to identify a reason and purpose that will lure users to the system. With this in mind communication, change management and business process review are vital.



There will also be benefits for suppliers as a result of the company using the new system. Their involvement could be requested to encourage them to be supportive and not negative or disinterested. They may have been through this review process within their own supply chain management and may have ideas and experience worth hearing about.

Action: If nothing else, suppliers should be educated as early and often as possible that the new business processes demand purchase order references on all documentation. Neglecting to comply may cause delays in account settlement.

Data Integrity is Everything

Proper planning can ensure that the majority of your P&L is correctly coded and analysed. Increasingly organisations are required to attest that the resultant transactions of their financial system are the correct outcome of a system of internal control. There are legislative pressures in many territories, such as CLERP 9 in Australia and Sarbanes Oxley worldwide, mandating standards and governance for some organisations. A reliable system of internal control reduces audit costs and concerns and enables the company management to sign off the financial reports with confidence.

A procurement project does not end, it changes into ongoing spend control and the pursuit of best practice purchasing. Therefore accurate data from one source is vital.

Do the Work Upfront

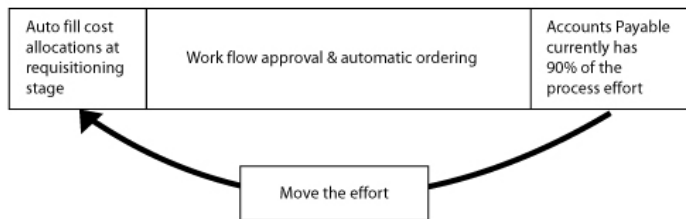
Currently the majority of work in the procurement lifecycle including financial allocations is probably done at the end of the process cycle during supplier invoice entry. If this was performed automatically at the beginning of the





process when an item/service was requisitioned/ordered then the financial data would be timely, accurate and consistent and have reduced human input, administrative drain, time-lag and cost.

Best practice eProcurement moves the coding and cost allocation effort and responsibility forward in the transaction lifecycle and significantly drives down administrative costs as a result.



Actions

Some possible actions flowing from this principle are:

- Aim to move data categorization/allocation (purchasing account, cost centre etc) to the beginning of the transaction cycle rather than the end.
- Introduce catalogues for items/services.
- Automate the data categorisation by the use of predefined catalogues.
- Aim for 100% transaction throughput via the one procurement system.
- Reduce the number of suppliers and catalogue items to reduce the potential error matrix.
- Establish a number of process focused KPIs that support data integrity, such as proportion of invoices referencing PO numbers.
- Consider the role/responsibility of a Catalogue Manager.





KPIs

The use and definition of project key performance indicators (KPIs) are important. Typically one would expect that the primary KPI is the saving of supplier costs or perhaps reducing head count by 'x'. This class of KPI is a resultant KPI that at the beginning of the project is hoped for rather than initially quantifiable.

Defining and focusing on process KPIs representative of business and process excellence then the result of eliminating redundant administration, enforcing data integrity, having a single source of truth for procurement transactions, etc, will give rise to the actual savings gained.

Actions

Examples of process KPIs worth considering are:

- Number of invoices showing PO number.
 - Time is saved by being able to match a PO with an invoice without a search.
 - Similarly it is an indicator of the number of invoices being raised as a result of approved, system-generated Purchase Orders.
 - Enables focus on maverick purchases.
 - Enables focus on non-compliant suppliers
 - Required for electronic matching.
- Number of GRNs awaiting acknowledgement by staff.
 - If this number gets too high the whole system stops as the invoice is received but without the GRN stage the invoice can not be approved.
 - Accruals are misstated in the financial accounts.
 - The GRN will eventually be done. It is just that the delay wipes out savings as the transaction will need to be "touched" more than once.
- Value of GRNs awaiting acknowledgement by staff.
 - As above but is indicative of the value of the financial misstatement.
- Number of invoices electronically matched with zero tolerance.





- Electronically matched invoices with zero tolerance is the ultimate target as it costs nothing to process. Not achieving this KPI starts costing you money.
- Number of invoices processed without PO number.
 - This is a variation on the KPI of PO number on invoices and again puts the spotlight on maverick procurement outside the purchase process and non-compliant suppliers.
- Number of requisition lines submitted not using a catalogue item / service.
 - The goal is that all purchases are via the catalogue. This makes it easier for everyone as the majority of the process is automatic, the select-and-submit approach becomes the norm, data integrity is not challenged and there is no query on the approval stage.

With approved contracts and the procurement catalogue(s) in place the purchasing of non catalogue items is a very strong indicator of user acceptance of the system.





Expect resistance

The three prime elements of a procurement project (indeed any project) must be addressed – people, process and product. A procurement project goes across the organisation and therefore a holistic approach needs to be adopted. If the effort is not initially made to address people's concerns and to communicate the project vision, objectives and desired outcomes then there will be resistance. When the issues are addressed later in the project the quantum of effort is much greater than if the job was done advisedly in the first place.

Accrue small benefits

A procurement project is one of change for the organisation and therefore a more prudent and low level approach and avoiding articulating audacious benefits is advised.

In the project we assume that the starting approach is:

- Firstly the approach of people and process excellence which underpins business excellence.
- KPIs will indicate the process strengths and rate of adoption.

With this approach the journey will reveal benefits arising from the procurement improvement that can not be currently envisaged. Based on the process mapping done to date we are confident that benefits will arise. Accrue these small benefits as they are revealed through the life of the project as they will add up to significant returns.

In real implementations PA iPOS clients have 'discovered' unexpected benefits such as incorrect micro charges on certain transaction types (0.003p error per unit that amounted to £80k saving per annum); a £5 delivery charge outside contract - £80k saving per annum; stock expiry reduced by 90%. It is important to hunt for these benefits and use them as part of the change management process by publishing them as small/early wins for the project.

An innovative project team will identify benefits for the company. It would be hard to believe that there would be no efficiencies to be gained within the company's current processes.

Involve suppliers

Involving suppliers from the project's initial steps offers a number of benefits. The objective of involving them includes, amongst others:

- Suppliers want to reduce the cost of doing business with you. The company can accrue benefits if high volume suppliers work with you.
- Generally suppliers have been reducing the cost of their supply chain for a while so they may be an unexpected source of insights.
- From the metrics it might be revealed that the company has significant room to reduce the number of suppliers that are dealt with. If the suppliers



who are retained are working with you to reduce the cost of procurement then benefits should flow.

New job roles

It is quite possible that this project will create one or two new job roles in the long term.

Procurement Data & Reporting Analyst

This role will analyse the spend, define analytics, design and generate reports and interrogate the data for irregularities and savings. Presuming that the company operates under a tight fiscal regime it therefore will most likely be on the look out for ongoing savings amongst the annual non employee annual spend.

Catalogue Manager

An important determinant in the success of the procurement project is the level of purchases effortlessly selected and automatically coded from predefined catalogues.

The eProcurement solution should be for the majority of purchases with item selection coming from a directory/catalogue. For this to be effective and the resultant data correct there needs to be a new role defined.

For the clean, easy, select-and-submit process to work it must be made easy for people to request new items be added to the list and catalogues to be kept up to date. If the items/services are not catalogued then eliminating redundant tasks and effort is made harder.

A Catalogue Manager may also take responsibility for reporting against supplier contracts and identifying areas for further contract negotiation.

Actions

Create an environment or culture of positive change management. The circumstances will frequently be different for each organisation and the company project team will need to expend a lot of effort working through different ideas. Some thoughts are:

- Identify senior managers who would be project supporters because of what the system does for them – these are the key players that will cause the change to become the cultural norm over time.
- Identify the community/workforce influencers in each geography/ business unit/ department, encourage them to become involved and offer them the opportunity to be early adopters – these are your change agents.
- Consider an organisation intranet site and / or newsletter.
- Conduct surveys on communication and concerns – word them supportively and positively.



- Have the project achievements, milestones and significant events announced by the CEO.
- Use discussion groups at the start and during the conversion of each group.
- Publish process KPIs daily/weekly and explain what they mean.
- The new system could be considered as a job slashing exercise therefore deal with this perception.



About Professional Advantage (www.pa.com.au)

Professional Advantage was established in 1989 and today employs more than 250 people in Sydney, Melbourne, Brisbane, Perth, London and Fargo, USA. The company is the largest provider of leading brand global business management systems, such as financial management, ERP, CRM, retail, business intelligence, business process management and portal solutions to midsize organisations in Australia, supporting over 800 clients nationally. Its multi product offering is complemented by its development, systems integration, consulting, training, and support services. Professional Advantage is the winner of many business and vendor awards, including, Infor SunSystems Award for Outstanding Performance in Australia & New Zealand 2008 and Microsoft Inner Circle and President's Club Member 2008.

The company's clients include medium to large public and private companies and government departments. For more information go to www.pa.com.au

About iPOS for SunSystems

iPOS Enterprise 5.4 is the eProcurement solution of choice for organisations wishing to gain transparency and control of their procurement operations. iPOS Enterprise is unique in that it addresses the complete procurement function across the layers of people, business processes and enabling technology. Unlike other solutions the emphasis is not just on the product or technology deployed. iPOS is seamlessly integrated with SunSystems from Systems Union which delivers unparalleled integrity and single source truth in your purchasing data.

The iPOS Enterprise suite consists of a range of components:

- iPOS eProcurement – core procure to pay solution.
- iPOS eLearning – online training that supports role based education and end-user confidence.
- iPOS 3P – advanced workflow and business process management.
- iPOS Connections – integration & process control of documents, files, XML and EDI data sources.
- iPOS Advanced Invoicing – volume and shared services supplier invoice management.
- Advanced Inquiry for iPOS – quick and easy adhoc analysis tool with a unique purchasing transaction lifecycle data view.



- Vision for iPOS – a specific Vision Serduct plug-in for the popular Vision for SunSystems toolset.
- iPOS Performance – Microsoft Analysis Services cubes for business intelligence.

Our clients consistently tell us that iPOS is:

- Simpler – The iPOS eProcurement user interface and automated business processes make it easier for people to perform the purchasing function.
- Faster – The elimination of manual tasks, automation of cost allocations, introduction of workflow controls such as approval emails and escalation of bottle necks reduces lag times.
- Better – Reduced maverick purchasing, increased process automation, compliance with delegated approval limits, enforced purchasing from approved suppliers and increased data integrity are some of the truly achievable operational and cost benefits of iPOS Enterprise.

