

E-PROCUREMENT IN THE PUBLIC SECTOR

PROJECT SPONSOR: United Nations Development Programme Inter-Agency Procurement Services Office (UNDP/IAPSO)
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PROJECT OVERVIEW

The area of e-procurement is dynamically changing and to date there has been little research to help guide organisations through the various definitions, available solutions and commercial arrangements on offer, and how to evaluate the specific context for e-procurement, particularly in the public sector and ‘not for profit’ services. Most e-procurement offerings are oriented towards private sector, manufacturing and associated maintenance, repair and operating supplies environments. The public / ‘not for profit’ sectors are different from these environments.

This overview reports on research carried out by the Centre for Research in Strategic Purchasing and Supply (CRiSPS) to address this gap. The research investigated the diverse procurement operations in two public sector / ‘not for profit’ networks; namely the United Nations (UN) and the 43 police forces in England and Wales.

OBJECTIVES

Each study had its own individual key objective. These two aims differ slightly in emphasis but are broadly complimentary

The main objective in the UN project was:

To perform a survey of the existing status and future potential of e-procurement in UN organizations

The corresponding main objective in the police force study was:

To identify where potential savings might be made across forces through the use of common contracts, and where the Police Service is exposed to risks from the supply market

FINDINGS

Difference between public and private sector approaches

Driven by modernisation agendas, public sector organisations have tended to go for a ‘big bang’ large project e-procurement solution, attempting to (and failing) to apply it to all spend. Private sector firms have tended to use several different types of e-procurement for different parts of their product/ service portfolio, and appear to have been more successful as a result. Public sector organisations tended to focus on e-catalogues and automating the purchasing operational process, whereas private sector firms took a broader, more strategic view of the potential for exploiting ‘e’.

Different cultures

Experimental, learning approaches to e-procurement did not view e-procurement as a project, but rather as an ongoing process of reforming and improving purchasing and supply. This approach appeared to be more successful in the medium to long term where improvements were continually pursued.

Involving suppliers

Supplier involvement is vital but is also the most underestimated effort in e-procurement. There is a particular risk to Small to Medium sized Enterprises (SMEs) that they will drop out of

supply chains as their larger customers pursue e-procurement implementation.

Extent of e-implementation

Most organisations feel that that e-procurement is not suitable for the entire product / service portfolio. Private sector firms tend to be more mature in segmenting their product / service portfolio and using appropriate 'e' for appropriate areas of spend.

Reflection on purchasing reform and e-procurement

Many of the 'e' implementation success stories have connected e-procurement with purchasing reform. A fundamental part of that reform is to clean up and keep accurate, consistent coding of products, services and suppliers.

Differences between industries

It is clear from the literature that the extent of adoption of e-procurement varies by industries. It is more likely to be used in a production environment, be it manufacturing or in production-like service environments such as in aspects of hospital management. e-procurement has been used in the hospital environment especially in the US in the form of EDI since the 1960s. The automotive industry also has a relatively long history in the use of inter-organisation electronic systems in procurement. Similarly it has been extensively adopted in the retail industry. The travel industry is another with a relatively long history of use. All these industries involve the management of high volume materials or information flows.

It is very important to recognise this historical context going back some thirty or more years because the mere existence of the Internet does not necessarily give rise to a basis for extending the adoption of e-procurement too far beyond environments where it has for a long time made sense.

CONCLUSIONS

A contingent approach to e-procurement should be adopted

Both networks examined in this study contained a wide variety of different types of organisation, this gives rise to a wide spread of differences in

procurement practices. Further analysis should enable appropriate grouping of organisations into categories requiring similar e-procurement solutions. The adopted solutions would have to be modular, scaleable and capable of integrating in different ways to different financial and human resource systems present in different organisations.

Drive forward and measure intangible as well as tangible benefits of e-procurement

There is a need to identify and measure intangible as well as tangible benefits of e-procurement. Most organisations focus on trying to reduce transaction costs through e-procurement, but most of the benefits will arise from purchasing reform, supported by e-procurement. Purchasing reform and e-procurement will give rise to intangible benefits such as providing the capability to take a more strategic approach to procurement, and improved learning across the organisation.

Avoid a 'big-bang' approach

Evidence internationally has shown that any attempt to implement one 'Big-Bang', one size fits all solution will fail in a public sector service confederal network. A more flexible approach is required to embrace different types and sizes of organisation, and appropriate national, regional and local purchasing decision making.

Share best (and worst) practice experiences

Public sector organisations have lessons to share regarding how they arrived at their e-procurement decision, and what they would do differently with the benefit of hindsight. Sharing e-procurement experiences may encourage a learning platform to be developed. Each public sector network would have to decide an appropriate platform for this sharing; for example the UN could utilise the annual IAPWG meeting.

FURTHER READING

Walker, H.L. and Harland, C.M. (2004) e-procurement in the United Nations: a contingent approach. In: *Proceedings of the 13th International Annual IPSERA Conference*, Catania, Italy, 4-7 April.