

Developing an e-Procurement Policy

Strand 3.3 Support for Authorities

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Introduction

This paper introduces the key considerations for developing an e-procurement policy. The paper is not intended to be exhaustive, rather to discuss common issues that arise when choosing to draft an e-procurement policy. The undertaking of drafting a policy may be large or small depending on the needs of the authority in question, and the intended use for the document. Drafting an e-procurement policy encourages best practice within the organisation, because it encourages a culture of consultation, openness and communication; all of which are vital for introducing e-procurement into an organisation.

For the purpose of this document, e-procurement is a collective term for a full range of electronic procurement processes; including, but not limited to e-purchasing, e-tendering, purchase cards and e-auctions.

What is an e-procurement policy?

An e-procurement policy is a short paper detailing how the authority's e-procurement strategy will be implemented within the authority. The policy paper should detail the authority's corporate aspirations for an e-procurement initiative. The policy should identify how these aspirations are to be achieved and the requirements for project success. The policy document must also be informative and instructional; since the policy will be an opportunity to extend a valuable message to all echelons within the organisation.

It is important to note that an e-procurement policy does not replace a business case for e-procurement, nor does it replace project management plans for e-procurement; the policy is a steering document which is used to help guide the authority and communicate with its employees.

What do you need to create an e-procurement policy?

An effective e-procurement policy relies on three pre-existing factors; a procurement policy, top-level buy-in and some internal consultation.

A procurement policy

Primarily the e-procurement policy must align with an existing procurement policy. It is not possible to have an effective e-procurement policy without reference to a comprehensive policy guiding an authority on procurement. A procurement policy should cover the authority's sourcing strategy, economic development policy and procurement's role within other strategic activities such as social care and housing.

It is now common for authorities pursuing procurement best practice to invest in e-procurement, however, to implement e-procurement without a fundamental review of procurement does not deliver best practice procurement. For this reason a fundamental review of procurement, in line with the National Procurement Strategy for Local Government will be necessary before an authority can develop an e-procurement policy.

When drafting an e-procurement policy, reference should be made to existing other documents in use by the authority, however, if the procurement policy is sufficiently up to date and the following documents should already be aligned with the procurement policy and, therefore, alignment with the e-procurement policy should be a minor issue.

ODPM guidance on producing a procurement policy:
http://www.odpm.gov.uk/stellent/groups/odpm_about/documents/page/odpm_about_026979_hcsp

Top level buy-in

The value of the e-procurement policy will be entirely dependent on the level of authority given to the document by the senior management team. A policy that will not be enforced is worthless and, therefore, the explicit support of key members of the organisation will be necessary to ensure that the document can be used to greatest effect.

It is, therefore, necessary for the CEO, CFO and council members to ratify and authorise the document; furthermore it is desirable for senior officers to express their support for the policy in person at key management meetings and in meetings with departmental heads.

Achieving this level of commitment from senior officers may prove a challenge, however, for the policy to be effective explicit support of these officers is wholly necessary. Efforts to introduce an e-procurement policy into the organisation without top level buy-in are significantly more likely to fail.

Making a coherent policy document

An effective e-procurement policy must respond to and take consideration of a number of pre-existing documents, these documents are those that have established either a) the authority's approach to purchasing or b) the authority's approach to implementing e-procurement. An e-procurement policy will form a bridging mechanism between the implementation of a solution and the political drivers for modernising the authority's purchasing processes.

Economic development

The best practice of strategic sourcing encourages authorities to aggregate their spend and potentially to reduce their number of suppliers. Strategic sourcing allows for authorities to consolidate their spend through fewer suppliers so that they can leverage the volume spent with suppliers to gain price savings. However, reducing the number of suppliers can have a significant impact on smaller suppliers in the local economy.

It may be necessary for the authority to adopt a policy of positive action to ensure the development of the local economy, or to mitigate and minimise the impact on SMEs and any such policy should be detailed in the e-procurement policy. For further information on supplier relationships, please visit the NePP's 'Supplier Adoption' pages on IDeA Knowledge:

<http://cms.idea-knowledge.gov.uk/80256DA5005D7772/httpPublicPages/70DA7D3E6600949880256DA9003DB116?opendocument>

An e-procurement strategy / business case

As part of the selection process for an e-procurement system an authority should have conducted an outline business case. This will detail where the authority expects to generate key savings. The e-procurement policy paper should be used to publicise these drivers, targets for conversion and the principles of how the authority will change to meet the established targets.

Corporate policy

The existing corporate policy may be referred to as a supporting document if necessary. For example, it may be part of the council's policy not make staff redundancies, reference to such a policy may prove necessary within the e-procurement policy.

IEG statement

If the authority has made commitments to the Office of the Deputy Prime Minister through the IEG statements, it is useful to include these in an e-procurement policy. These statements are the benchmark of the authority's commitment to central government and are seen as a key

motivator for some senior officers and members.

Reasons for developing an e-procurement policy

An e-procurement policy provides valuable instruction to all levels of the authority and across all departments. A clear policy document provides readers with a statement of commitment to e-procurement but will also identify why the authority is choosing to modernise its procurement functions and to invest in e-procurement. Subsequently the e-procurement policy can be used for the following purposes:

Guidance

The policy must be seen as a clear statement of the authority's position on e-procurement, e-procurement can often be delayed and threatened by resistance from staff within departments, often this resistance can be exacerbated by rumour and hearsay. A concise policy can be used as a tool to combat resistance. This is particularly valuable when staff are concerned that there may be staff cuts.

The policy may also be used as a guide to any future decisions regarding e-procurement, specifically future investment or further roll-outs within the corporate structure.

Education

A policy can prove a valuable tool for raising the awareness of e-procurement within the local authority, staff may see e-procurement in terms of how the modernisation will affect their role within the authority, but fail to see the wider implications of e-procurement and its global affect on the authority. The value of engaging staff in the wider aspects of e-procurement was felt at Cambridgeshire County Council, where the uptake of their e-procurement system increased as a result of sharing the council's procurement policy and history in buyer's training seminars.

Motivation

A properly ratified policy, i.e. One backed by senior officers and members will clearly identify the responsibilities staff have in delivering the modernisation agenda, which can help overcome resistance to change within departments.

Creating a usable e-procurement policy

Change management

Most authorities are finding that the most significant piece of work that they have to undertake is the work of rolling out e-procurement to users within the organisation. Staff are often resistant to the new business practices that e-procurement introduces and winning them over can require significant resource and time. An e-procurement policy can assist with the process of change management in a number of ways. Firstly, the process of writing an e-procurement policy forces the organisation to clearly state their aspiration for the e-procurement system. Secondly, the authority can use the policy as a communication mechanism for the vision of e-procurement within the authority and begin to prepare staff for the changes that they will face.

Personnel changes

In the private sector, wholesale adoption of e-purchasing will almost always result in staff cuts, usually in the buying department. This is not always the case in local authorities, particularly where the procurement process is highly devolved, however, all e-purchasing systems should allow reduce the amount of time that staff commit to purchasing activities. This free-time represents potential savings that can be leveraged in a number of ways. Whatever programme the authority puts in place to maximise these savings, managers should consider informing staff of their intentions in advance within the e-procurement policy.

The NePP have produced a paper on how to recoup the savings from process savings that

are distributed throughout the organisation. This is available on the IDeA Knowledge website: www.idea.org.uk/knowledge

Departmental changes

e-Procurement will also bring changes to the internal departments of the organisation. Key departments will be strategically affected by the implementation, aside from the procurement this will include audit, IT, HR and finance. Prior to implementation it is essential to assess the impact of e-procurement on these departments, as they will all have responsibilities necessary to secure successful delivery of the system.

Where e-procurement necessitates structural changes to an organisation, the plan for restructuring e.g. the centralising of procurement should be included in the e-procurement policy.

As far as possible, use the e-procurement policy to identify which departments will take ownership of different elements of the system. Key areas of ownership to determine are as follows:

- Supplier database
- Catalogues
- Management information
- Amended standing orders

It will be necessary to draft service level agreements and contingency plans for services that are shared between departments prior to implementation.

The NePP have produced a paper on how to manage the internal barriers to e-procurement in an authority, available on the IDeA Knowledge website: www.idea.org.uk/knowledge

Supplier Adoption

The resources required to bring suppliers into your system should not be underestimated. Those authorities who are joining collaborative marketplaces will probably benefit from a collaborative approach to supplier adoption, but each authority will need to enable some of their own suppliers onto the system. Encouraging your suppliers to work with you on an e-procurement system can be a resource hungry task, as terms will need to be agreed with each supplier brought onto the system.

Ownership

Supplier adoption must be managed by the authority staff, attempts to outsource this work have not proved successful, because the task is about reorganising the relationship between the supplier and the authority. Experience has proved that suppliers do not respond well to a third party representing the authority in these discussions and will always prefer to see a representative from the authority. It is, therefore, essential to determine which department will take ownership of the supplier adoption programme prior to implementation of the e-procurement system.

Policy

The organisation's approach to supplier adoption must also align with the authority's economic development strategy. Procurement best practice encourages the aggregation of spend through fewer suppliers; thereby gaining price savings on the increased volume of transactions. However, choosing to aggregate spend to fewer suppliers could have a negative impact on local small and medium enterprises. If the authority has a policy of supporting local business it may be necessary to run a programme that e-enables local suppliers to ensure they are not disenfranchised by the move to e-procurement. If this is the case it will be necessary to enforce this within the e-procurement policy so that buyer's

are aware of the importance of selecting local enterprises.

Standardisation and specialist areas

Where procurement is not centralised within an authority, it is likely that there will be a diverse range of procurement processes between departments and sometimes within departments themselves. A key aspiration is to standardise procurement processes as far as possible, since non-standard functionality will often require expensive customisation of the system. Many procurement processes will have become entrenched within the culture of the organisation; changing these processes may appear to be extremely challenging, whilst opting to invest in some customisation, may seem to provide a quick solution. Customisation can often cause long-term problems, as decisions made at an early stage in the project have a knock-on effect, and can require expensive and lengthy reworking of systems.

It is preferable for the organisation to modernise their procurement in line with best practice, regardless of whether it will be a difficult to achieve or whether the existing system has been in use for many years.

Whilst standardisation of procurement processes is desirable, some departments have specialist procurement needs that cannot always be accommodated within the standard arrangements for purchasing goods and services. Departments such as social services, building maintenance and legal can require a significant amount of customisation to accommodate their specialist needs. Common practice is to roll out e-procurement to these departments for their stand purchases and to continue with the existing processes for non-standard purchases, such as meals-on-wheels and fostering support.

Where departments are expected to adopt new practices in a staggered manner, it is vital for the departmental staff to be made aware of their responsibility to adopt standard procurement processes wherever and whenever possible. A clear statement in the e-procurement policy to this effect can help encourage buy-in at a departmental level and can, if necessary, be used to enforce the policy.

Management information

Once established, e-procurement systems will generate valuable reporting on the purchasing practices within the organisation. How this data gets used and publicised is a policy issue for the authority. Departmental managers should be made aware that a range of statistics will become available to senior management. Usually statistics such as volume of throughput, uptake are measured through the system. These statistics can then be used to identify top performing and under-performing departments.

Experience has shown that departments that are aware that they are subject to monitoring will improve their uptake significantly, especially when good performance is incentivised and poor performance is punished. The e-procurement policy can be used to outline the authority's broad approach to using management information, thereby informing staff that their purchasing will be scrutinised, and allowing them to accommodate this in their business activity.

Policy for future

It is important to see the e-procurement policy as a long-term strategy. Modernising procurement is part of any council's continuous improvement agenda and e-procurement will obviously be the cornerstone for modernising authority procurement. The e-procurement policy will, therefore, identify not only the responsibilities of staff within the departments but will also illustrate a future vision for the organisation's procurement processes.

Review procedures

External influences will obviously affect the relevance of the council's policy, subsequently

it may be necessary to document circumstances that would necessitate a review of the policy to ensure that the policy remains contemporary and in-line with the wider organisation's policies. The following circumstances might all necessitate a review of the policy:

- New or amended Government targets
- New functionality or software (e.g. e-tendering)
- Review or amendments to the existing procurement policy
- Staff changes at senior management level
- Major changes to policy documents such as corporate strategy or economic development strategy
- Passage of time

Whenever the policy is amended, it is crucial to ensure that there is the same level of top level buy in to the amendments, for the policy.

Conclusion

The value that can be achieved from developing an e-procurement policy is significant, however, for the policy to be truly effective there must be an existing up-to-date procurement policy, consultation with staff likely to use the system and buy-in from senior managers. Furthermore, the policy will need to be put to effective use by those staff responsible for delivering change to the organisation. However, an e-procurement policy can be a valuable tool for those seeking to roll-out e-procurement within an authority.

Whilst it is not essential to have an e-procurement policy to implement e-procurement, a policy of this nature is advisable because it can be used to deliver best practice in change management. Consultation, openness and communication with staff are all considered to be effective in the delivery of organisational change; an e-procurement policy can be used to facilitate all of these key tasks and can, therefore, be seen to encapsulate best practice for implementing e-procurement.

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