

Supplier Adoption and Economic Development (Strand 5)

KEY QUESTION 1:

Why is supplier adoption important and where do I start?

This is one of a series of 6 KEY QUESTION papers published as part of the National e-Procurement Project: Strand 5 - Supplier Adoption and Economic Development.

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Summary

- This paper provides an introduction to the guidance on Supplier Adoption and Economic Development published as part of the National e-Procurement Project.
- An e-procurement system needs suppliers that are willing and able to trade electronically with the council. Their co-operation is crucial to the success of any e-procurement project.
- Supplier adoption issues are involved at every stage of the procurement cycle and need to be addressed at the start of an e-procurement project.
- Suppliers will be looking for better access, more business, reduced costs, notification of work, feedback and support through the required changes.
- Start by carrying out a supplier analysis – this provides the data you need to understand what you are spending and with whom and is the basis developing the business case for e-procurement.
- Be aware of the possibility of excluding vulnerable local companies.

Why is supplier adoption important?

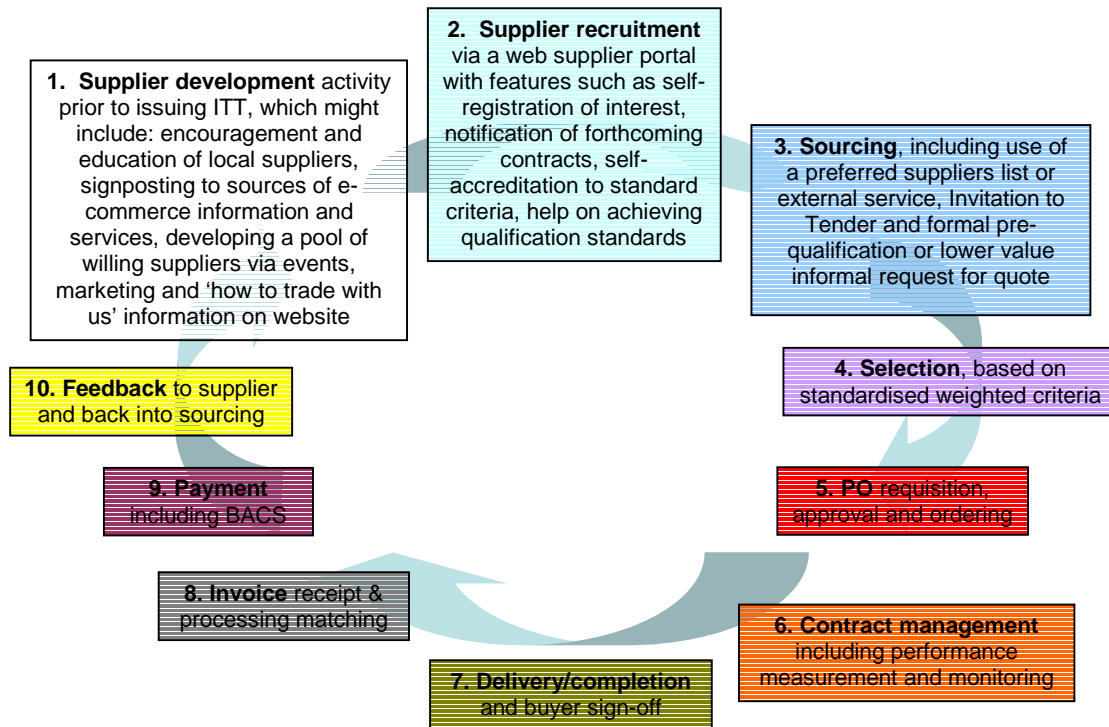
It is obvious, but perhaps still needs saying: an e-procurement system cannot work without suppliers that are willing and able to trade electronically with the council.

The procurement process in a local authority is often only considered as starting with the issuing of an invitation to tender - formally or informally depending on the value - and finishing with payment of the invoice.

A more comprehensive view starts earlier, focused on encouraging participation from within the local business community and other appropriate companies and finishes later, with feedback to suppliers and therefore back into the procurement process. Supplier adoption issues are involved every stage of the procurement cycle, as shown in fig 1 overleaf, and managing these should be recognised as crucial to the success of any e-procurement project.

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Fig. 1 The Full Local Authority Procurement Process



A successful e-Procurement project is one that delivers:

- To CEOs: contribution to strategic and corporate objectives
- To Finance Directors: reduced costs of purchasing and invoicing
- To Procurement Managers: the management information that allows them to pursue cost-saving targets, compliance.

Experience shows that the project will not achieve these objectives if it doesn't also take account of the needs of **buyers** and **suppliers** from the outset.

- **Buyers** will need online access to accredited and e-enabled suppliers; simple buying tools to speed up the job.
- **Suppliers** will be looking for better access, more business, reduced costs, notification of work, feedback, and support through changes.

In the rest of the NePP Strand 5 material on this site we are advocating an approach that we believe will ensure successful and rapid implementation of e-procurement, by avoiding the buyer and supplier 'road-blocks' experienced by many projects and the 'unintended consequences' to important local businesses that might be disadvantaged by supplier rationalisation and new purchasing methods.

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Where do I start?

Supplier adoption should not be left until you have decided on your e-procurement solution. We suggest that if you have not already done so, you read the 6-step Supplier Adoption Guideline and the other KEY QUESTIONS, published on this site.

Then start by following these principles:

1. Factor supplier adoption factoring into your planning. Look for the right balance (for your council) between:
 - centralising and rationalising procurement for savings
 - devolved purchasing where risk needs to be managed locally
2. Start by carrying out a supplier analysis – this provides the data you need to understand what you are spending and with whom and is the basis for developing the business case for e-procurement
3. Be aware of the potential ‘unintended consequences’ of excluding vulnerable local companies – carry out an impact assessment as part of the supplier analysis
4. A simple online free-text e-ordering system can provide the management information to rationalise and make early savings:
 - Initially, buyers and suppliers will see no change – and you will avoid the buyer and supplier ‘road-blocks’ to roll-out
 - The data will speak for itself and you can start introducing framework contracts and online catalogues
5. Work with others – collaboration with strategic partners, such as other councils and business support organisations will save you time and money and enable you to take the lead in your local community.