



Asia-Pacific
Economic Cooperation

e-Procurement Workshop – Final Report Identifying e-Procurement Implementation Strategies for Developing Economies

Promoting SME Access and e-Procurement Initiatives Within
Government Procurement Markets in the Asia Pacific Region

APEC Government Procurement Experts Group (GPEG)
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1.0 Basic e-Procurement Strategies and Guidelines

“Getting started on the right track”

SME's are a large part of any economy and contribute significantly to a Country's GDP. If better enabled through technology, SME's can significantly grow. The Internet offers a unique opportunity to gain access to global markets, create greater efficiency in local markets to sustain their business.

To take advantage of this opportunity, GPEG and APEC must take a proactive role in helping Governments and SMEs adopt e-procurement. The first step is to start with the basics. Why e-procurement? Where to focus? When to start? Who is first? And the big issue – How??

A basic procurement guideline starts with defining e-procurement and understanding how it works. What is e-procurement for SMEs? It can be simply be providing orders via an email message or as complex as integrated online order management across the supply chain. The key to its success is to have a clear business goal, address change management issues and take small steps.

In addition, the success of a project is dependant on the people on the project team and its community. Projects rely on the triangle collaboration of the Business, Customer and Technology. Yet, the project needs to be run by the business in response to a customer need and supported by technology. E-Procurement is about the business, not the technology. It is key to understand why are you doing it? What is the purpose of e-procurement and what are the key goals you are trying to achieve?

It's an opportunity to simplify and streamline the process to save money and time. In addition participating in e-procurement can be another sales channel and provide opportunity for growth

For SMEs, the opportunity is large but so is the learning curve. For Government, it is an opportunity to develop a relationship with SMEs and provide them with equal access to government procurement in a transparent manner. In addition, it increases the overall efficiency and competitiveness of this key economic sector (SMEs).

1.1 The goals for e-procurement are set by the business and customer (being either the Government or Industry).

- ✓ Achieve procurement transparency and accountability through an open system.
- ✓ Reduce costs, save steps through user adoption and product selection
- ✓ Provide SME platform for competitiveness and growth

2.0 Basic Implementation Guide

“Learn from others”

A strategy is nothing without excellent implementation. This excellence is highly dependant on the people involved in the project. There are several implementation models but all of them have very simple steps, which require dedicated, capable and innovative teams to complete.

2.1 The key steps to successful implementation include:

- ✓ Have a clear defined strategic goal and have a compelling reason for change
- ✓ Take small simple steps and deliver value along the way – learn by doing and reduce risk by doing less
- ✓ Motivate users to adopt e-procurement by providing an answer to ‘what is in it for me?’ and making it easy for buyers and sellers to use the system.
- ✓ Address barriers including the lack of understanding of benefit, e-procurement education, security, telecommunications infrastructure, financial or costs of adoption and lack of resources available to project.
- ✓ Engage champions from the SME businesses and Government
- ✓ Work within sectors or focus on the ‘early adaptors’ and innovative sectors with either the greatest need or the greatest readiness to adopt
- ✓ Work with the innovators who ‘get it’ and are willing to work hard to prove the success to the others within the market (Get a quorum to pilot and test the system to ensure that the process and technology works)
- ✓ Communicate success and progress made!

2.2 A Basic E-Procurement checklist (Appendix 1)

It is important to understand that e-procurement is only one part of the supply chain. The first step in successful procurement is to assess the overview business process (including the whole supply chain) and find the weaknesses and real problems. The second is to assess the readiness of the business to adopt e-procurement. The implementation plan addresses the above two steps by providing an overall strategy and phased approach to making it ‘easy’ to implement e-procurement which delivers on solving business problems and maximising growth opportunity for SMEs.

Factors leading to SME e-procurement adoption (reference section 5.3)

- 1) Trust – They believe that the parties involved will fulfil their obligations in the supply chain and that the technology or systems will work. The risk is minimised.
- 2) Power – There is no choice for SMEs to participate. E-procurement usefulness and the online method exceeds existing process and/or provides a significant commercial benefit
- 3) Perceived value – There are well-understood benefits. The benefits are defined as
 - a. (Price benefits + transaction cost benefits) – technology lock-in costs
- 4) Critical mass is needed to get others to adopt e-procurement

From the NOIE web site, there is guideline for how to prepare a basic e-procurement implementation plan and the complete check list is listed in Appendix 1.

<http://www.noie.gov.au/publications/NOIE/eProcurement/checklist/stage4.htm>

2.3 Project Management check list:

- 1) Ensure that all sponsors support the project
- 2) Make sure that the scope and deliverables are clear and signed off before you start
- 3) Bring together a strong project team
- 4) Make sure all team members know their role's
- 5) Set up solid reporting and change approval processes
- 6) Actively manage the budget
- 7) Communicate, communicate, communicate to all stakeholders
- 8) Provide strong training for users and support the 'go live'
- 9) Complete a post implementation audit
- 10) Have fun

2.4 Identify and address the barriers to Adoption

- 1) Robust Telecommunication Infrastructure
 - a. Must have network which supports 24 x 7 broadband to maintain service level
 - b. Must be able to effectively transport data and information through a reliable connection

Response: Adopt a national strategy to solve the local issues. Implement solutions successfully adopted by other countries and modified to suit local needs. These solutions include bundling telecommunications demand

http://www.minedu.govt.nz/index.cfm?layout=document&documentid=7887#P87_6615

- 2) Resistance to change
 - a. Difficult to change current procurement process due to loss of income or control or corruption within the system
 - b. Difficult to understand value and stakeholders baffled by technology

Response: The suggestions included creating a procurement framework and network to help educate buyers and sellers and demonstrate how e-procurement works. At the minimum, the implementation plans must employ a change management programme. In addition, the World Bank could provide training program and champions. Optimally, the e-procurement process would provide alternate revenue streams for participants.

2.5 Factors which influence success (enablers)

1. Address people's fears
 - a. Remove fear of unknowns through training, education, communication
2. Reduce the barriers to entry and ensure a return on investment
 - a. Transfer information using a small file size and create online links
 - b. Ensure that the web site caters to low speed
 - c. Aggregate demand for products or technology or aggregate points of access to achieve significant return on investment and cost efficiencies
3. Supplier connection to the e-procurement system helps to ensure that there is content on the e-procurement system

4. Work with the leaders, innovators and prove the point to the majority – don't start with the laggards
5. Partner with others and share knowledge of what works and what doesn't. For example,
 - a. BuyIT offers strategic guidelines at the following link.
http://www.buyitnet.org/Best_Practice_Guidelines/e-Procurement/index.jsp
 - b. The NSW, Health Peak Purchasing Council offers a simple model for detailing its supply chain reform business plan, which includes e-procurement.
http://www.ppc.health.nsw.gov.au/ppc/hppc_business_plan_summary_03.pdf
USHER provides a package of support for advisors working with small business entering e-commerce, and for SME managers who wish to explore e-Business benefits. USHER is promoted by a set of Regional Development Agencies (RDAs) and Business Support Organisations, with the assistance of the CEC IST Programme (Key Action II). Plus, USHER has an e-Procurement Handbook available online. <http://www.usherproject.org.uk/>
 - c. Review work completed by Australia, UK, Singapore, New Zealand and Malaysia

(See section 5.0 for more references)

3.0 Identifying Capacity Building Projects

“How to make it happen”

APEC countries are all at different stages of development and adoption of e-procurement with the SME sector. Therefore, the capability projects will need to be tailored to the needs and status of each country or region. Yet, despite the differences, there are common themes.

These include:

- ✓ The need for more business education programs on the value of e-business and how to effectively adopt e-procurement to achieve the value
- ✓ Development of online tools, guidelines and templates for use across all countries
- ✓ Visits to countries which have implemented e-procurement
- ✓ Creation of immersion programs and pilots in each country
- ✓ Set up a Centre of Excellence to provide knowledge and tools to APEC
- ✓ Qualified and experienced people to assist countries to successfully adopt e-procurement

There is the opportunity to actively utilise APEC as a forum for collaboration and sharing across countries. The forum will need to create partnership projects between Governments and Industry to realise the potential that e-procurement offers.

Business and Government have specific roles in the process:

| <u>Business</u> | <u>Government</u> |
|---|--|
| <ul style="list-style-type: none"> ✓ Vendor needs to understand business needs ✓ Understand procurement regulation and how to deal with government ✓ Learn how to adopt e-procurement ✓ Easy win is to adopt e-banking ✓ Sector organisations can increase SME pressure for change or reason for changing ✓ Address change management process ✓ Demonstrate value and be a champion for others | <ul style="list-style-type: none"> ✓ Set vision for country ✓ Compare with other programs such as NSW e-procurement guidelines and NZ GoProcure ✓ Provide a directory of all Government e-procurement sites ✓ Be a role model for implementation and adoption of e-procurement ✓ Understand and update business community ✓ Use purchase cards and E-banking |

Recommended programs to scope include:

- ✓ Market research and needs assessment
- ✓ Education programmes and regional events
- ✓ Pilot programme in each country – do one thing that will make a difference!
- ✓ Provide local case studies and proactive communications
- ✓ Share knowledge across the region and proactively deliver tools, guidelines and reasons to adopt e-commerce
- ✓ Create a network and active adoption program supported by an online network (knowledge centre)

4.0 e-Procurement Network

“Connecting together for action”

Building a network requires commitment from the organisers to drive its use and the participants to use it. This means that the network must have value and be needed. How do you define value? The users define it for the network. An e-procurement network must deliver to the needs of business and government who will participate in e-procurement. And, a proactive ‘connector’ who is a leader and knows how to get the right information to the right people must manage the network. The network connector keeps people working together, delivers information to the network and actively engages participation by all groups. It is important that the network is perceived as the place to obtain and share real practical knowledge that achieves results for business and government. It must be a place that supports as well as challenges the government policy. Its very similar to social networks but with a business output – greater adoption of e-procurement.

<http://www.cheshirehenbury.com/ebew/virtulahtml/wilson.html>

The recommended course of action is for GPEG and APEC to jointly set a network strategy for e-procurement and fund its operation for at least 3 years. The network would require dedicated management, technology and support services to deliver the online portion of the network. These resources could be extracted from existing APEC programs (web site) and management contracted from the public sector.

At present there are several firms working with APEC to deliver online network communities including Dominique Dowding in Christchurch, New Zealand. The online community must be integrated with the local events, education seminars and forums. Plus, it is important not to reinvent the wheel but work with other international programs to obtain information, knowledge tools, business models, implementation templates and buyer/supplier adoption processes. The Network must learn from each other and those who have 'been there done that'.

The network would focus on the needs of the community and be very active in the following areas:

- ✓ Creating a collaborative environment for exchange of information and knowledge to honestly disclose what works and what doesn't work
- ✓ Address complex issues such as telecommunications infrastructure, e-procurement standards, Government policy recommendations, change management for user adoption and transparency of commerce
- ✓ Assist with regional research and needs analysis
- ✓ Provide e-procurement readiness assessment template
- ✓ SME Strategy analysis
- ✓ Case Studies, which provide comprehensive information and information that helps others
- ✓ Address key barriers such as security, technology selection, legal issues, process integration
- ✓ Provide tools, which make it easier for businesses to adopt e-procurement.
- ✓ Checklists
- ✓ Templates
- ✓ Guidelines
- ✓ Buyer and Supplier ennoblement processes
- ✓ Support resources and advisors available
- ✓ Education and training programs

5.0 Case Studies and References

"Been there, done that"

5.1 Lessons Learned

It is important to learn from others and adapt the lessons learned to suit local needs and experience:

<http://www.e-government.govt.nz/>

<http://www.usherproject.org.uk/support/hb.html>

<http://www.gebiz.gov.sg>

<http://www.egov.vic.gov.au/International/AsiathePacific/Malaysia/malaysia.htm>

<http://www.ukonlineforbusiness.gov.uk/cms/template/mainhome/310360.htm>

There are very few useful case studies regarding SME e-procurement within Government. It is recommended that APEC/GPEG fund the development of SME case studies to use as models for others to adopt and to promote the value of e-procurement.

5.2 Case Studies

A few case studies include:

<http://www.istart.co.nz/e-procurement.htm#casestudies>

<http://www.itpapers.com/search.aspx?&scid=1033>

<http://www.usherproject.org.uk>

<http://www.buyitnet.org>

5.3. A Few References:

"SME E-Procurement Adoption in Hong Kong- The Roles of Power, Trust and Value." Joyce K.Y. Chan, Matthew K.O. Lee Department of Information Systems, City University of Hong Kong, China

Tim Underhill, Underhill & Associates at <http://www.underhill-assoc.com/>

Dr.. Michael E. Porter, at <http://www.isc.hbs.edu/>

6.0 Summary Recommendations

"Where to from here"

- ✓ Learn how to do it and keep learning
- ✓ Look at others who have done it before and keep in contact
- ✓ Link together in the SMEs sectors or aggregate demand or provide joint tenders or connect through networks
- ✓ And, Leap – you must start and DO SOMETHING

E-procurement is about increasing business efficiency through process improvement enabled by technology (less errors, less time, more sales). E-Procurement offers SME the ability to look big and compete in a larger marketplace. To make this happen, Governments must facilitate and catalyse the adoption process to facilitate the realisation of the possible economic benefits for SMEs and the Government.

A Guide for E-Procurement

1. Existing procurement strategy

- a. Do you have a good handle on your company's procurement spend already?
- b. Has your company already established procurement policies and streamlined the supply base?
- c. Does your company have a strategy for how e-Procurement fits into the overall procurement strategy and do decision-makers understand where the major benefits/savings are for your organisation?

2. The Vendor

- a. Does the vendor understand your business and committed to helping your business grow?
- b. What is the vendor's core business? Is e-Procurement merely a bolt-on as part of its additional products and services.
- c. Quality of vendor staff - do the vendor staff know what they're talking about and are they good to work with?
- d. Will they provide ongoing training and support?
- e. Where are the vendor staff located?
- f. Does the vendor have references?
- g. Who are their key reference sites?
- h. Can the vendor host the solution?
- i. Does the vendor embrace widely used technology standards e.g. XML for document exchange and UNSPSC for catalogue content.

3. The Technology

- a. Who is the software developer? Is it the vendor, or a third party?
- b. Who supports the software? Is it supported locally? How good is the technology team?
- c. How dependent is the vendor on the software developer?
- d. What functionality is included:
 - i. Electronic purchase orders
 - ii. Automated purchasing work-flow
 - iii. Spending limits.
 - iv. Reporting ... what kind of reports?
 - v. Round-tripping' (going out to a particular suppliers transactable website)
 - vi. Invoice matching
 - vii. Smart forms
 - viii. Special requests
 - ix. Online auctions etc
- e. What portion of the software's functionality will your organisation actually use
- f. Will the technology meet medium and long-term e-Procurement objectives e.g. is it scalable?
- g. Is the technology easy to use?
- h. What is the interface like?
- i. How easy is it to integrate the vendor's technology into your back-end systems?
- j. Can the technology/software work with other procurement initiatives such as corporate purchasing cards
- k. What technology are your organisation's key trading partners using?

4. The Suppliers

- a. What technology are your key relevant suppliers using?
- b. If the technology is different from your technology, is it easy for suppliers to access it? Will it be expensive for them? How long will it take?
- c. Are your key relevant suppliers ready for e-Commerce? Or, can they be?
- d. Can the technology chosen interface with leading supplier hubs
- e. Who will manage the catalogue content? Will it be cheap to do so?

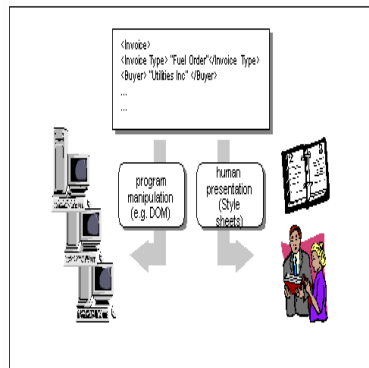
5. The Total Cost of Ownership of the solution

- a. Can the solution be hosted?
- b. What is the upfront cost?
- c. Software?
 - i. Consulting?
 - ii. Change management costs?
 - iii. Integration costs?
 - iv. What is the ongoing cost?
 - v. License fees?
 - vi. Maintenance and support?
 - vii. Transaction fees?
- d. What costs will suppliers have to incur?
- e. Does the vendor have multiple pricing plans?
- f. Are these costs transparent?

Checklist for Developing an e-Procurement Strategy*

Version 1.0

STAGE 4 - IMPLEMENTATION PLANNING



Step 4.1 Prepare implementation plan

The implementation plan documents the process for implementing the preferred solution. It can take a variety of forms but should provide the project manager and/or project sponsor with a clear understanding of what will happen within stated timeframes.

Activities

- Develop the implementation plan. Activities can include:
 - Define the scope and process to be followed in developing the plan
 - Identify the key implementation stakeholders
 - Identify and ensure the availability of the internal and external resources required to implement the solution
 - Identify how the system will be monitored and maintained, when the system will be evaluated, and how the system will be reviewed and enhanced once it becomes operational
 - Define the implementation process to be followed
 - Notify the project sponsor and stakeholders when the project implementation stage has been completed and the system is in place.

Expected Outcomes/Deliverables

- An implementation plan with key milestones agreed by all relevant stakeholders
- A signed agreement with the provider of the solution.

Step 4.2 Develop pilot plan

In most cases piloting a solution is a valuable first step in the implementation process. It will prove the feasibility of the solution and either confirm or disprove the expected benefits.

This step results in a plan for implementation of a pilot.

Activities

- A high level view of the pilot process is provided below:

| | |
|-------------------------------|--|
| Prepare Project Strategies | Ensure that project will be managed appropriately. Determine success criteria. |
| Prepare Technical Environment | Ensure that the technical environment can support the solution. |
| Test Pilot Solution | Verify provider's claims with regard to the capacity of the proposed solution to meet the organisation's requirements. Undertake useability testing to ensure users' acceptance of the interface. |
| Pilot Preparation | Ensure that the pilot is ready to commence. |
| Pilot Deployment | Ensure pilot users have access to the solution. |
| Pilot Operation | Conduct pilot using the agreed solution. |
| Post-Pilot Review | Verify that the pilot was successful and identify issues for resolution. |
| Documentation of Deliverables | Ensure all of the process is documented so that further decisions can be made on a sound basis. |
| Pilot Complete | |

Expected Outcomes/Deliverables

- Pilot plan covering testing, training, marketing, job impact, data conversion, system implementation and post-implementation review
- Defined success factors for the pilot and a means of measuring each factor
- Revised requirements document based on lessons learnt
- Rollout/backout processes and contingency plan
- A report on the pilot post-implementation review.

* NOIE website:

<http://www.noie.gov.au/publications/NOIE/eProcurement/checklist/stage4.htm>