

Are you properly equipped?

Despite the importance of technology in procurement, few organisations have a fully integrated approach supporting the entire process. Haydn Jones explains how to get the most from procurement technology

Over the past decade a host of tools and technology have been developed to support purchasing. Yet it is common to come across procurement departments with poorly implemented systems, those operating with limited technology or, in some cases, with no technology whatsoever.

From my experience of working with clients, few companies have systems that support contract, supplier and category management. Critical modules are often missing, badly implemented or inadequate.

This is a serious cause for concern when you consider the role that technology can play in reducing unauthorised spend and building a strategic sourcing programme.

But how can buyers ensure they are getting the most from their IT?

Three core platforms

A good purchasing function should invest in three platforms:

- Sourcing tools include e-auctions, electronic request for information (e-RFI), request for proposal (RFP) and request for quotation (RFQ) tools and ultimately provide the framework agreements that offer the best prices.
- Order capture tools allow purchase order requests for goods and services to be represented electronically and route spend to the framework agreements that have been established with suppliers.

- Support tools include applications such as contract databases, supplier relationship management (SRM) tools, knowledge management tools and spend databases. They help to measure the volume of spend being routed to preferred suppliers, track performance metrics associated with key suppliers and provide an electronic repository for contracts.

To illustrate, there is little point in having sourced a competitive telecoms framework agreement if employees cannot take advantage of it because the order capture tool is so hard to use that they are forced to pick up the phone and call other suppliers. Having weak support tools could compound this problem. If the purchaser does not have the technology to analyse the relationship with the telecoms provider, they will not be warned of impending problems such as the provider cancelling contractual terms that would lead to an increase in pricing.

Examples of a truly integrated approach to deploying the full suite of e-procurement technologies are rare. In our Assessment of Excellence in Procurement survey last year, it was clear that while leaders had invested heavily in support tools, investment in sourcing and order capture tools was still low.

The implications of this are serious, with the procurement function forced to rely on paper-based sourcing techniques and systems to capture manual orders. Not only does this increase transaction processing costs and sourcing lifecycles, it also affects the ability to manage and control unauthorised spend.

Understand the big picture

Technology needs to interact with all people involved in the purchasing process. This includes the employees who buy goods or services, and the finance team, which needs to ensure the financial movements resulting from purchase of goods or services are booked correctly in the general ledger.

At some point in the procurement lifecycle, a support function such as HR, IT or facilities management will be involved, therefore the workflow process and tools must be linked to these groups.

For example, an approved purchase order request to purchase a desktop computer should trigger a job request within the IT function for the network connection to be patched in and the machine installed. Alternatively, an approval to hire generated by HR should trigger, where necessary, purchase requests for a laptop, mobile phone, telephone and land line.

The starting point is usually some kind of workshop to understand the way in which the procurement group interacts with these support services. This should involve mapping of processes and descriptions of the systems that support the process.

User testing

Thorough testing is critical to ensure the technology meets your requirements and the expectations of your users.

The period required for user testing is dictated by the number of features to be tested. A comprehensive list of the features supported by the application needs to be compiled and test scripts developed that requests users to work through each function in turn, using them as they would in a live environment.

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It is also important to test how the system captures and processes data. For an order capture tool, the type of data captured will include purchase requests, and for an auction tool, it will include supplier bids.

Most importantly, the accuracy of the files generated by the application needs to be carefully checked to ensure errors are not passed from one system to another. This is particularly important for tools that interface into the finance systems, since the accuracy of the books and records is at stake.

The test results should be recorded and need to include data that is shown on the screen, copies of reports that are generated and any unexpected results or system failures. User testing may also reveal critical design issues.

A well-planned user-testing phase leaves plenty of time to work through all the application's features and incorporates sufficient project days to address any problems that arise.

Work with technology providers

Procurement groups and technology providers need to work closely with each other to unlock the potential value offered by e-procurement.

Technology is only as good as the people who design and build it. If software developers don't liaise with the user community, and therefore have a poor understanding of the business process they are supporting, they will be unable to build applications that link with underlying procurement processes.

Holding feedback sessions and workshops with user groups helps to generate improvements that can then be implemented by the software developers.

In addition, some procurement technology providers respond slowly to suggestions from their users and it can take months for small bugs to be addressed or for features to be added or improved. You may get a faster response if you liaise with users of other applications from the provider across your organisation and jointly raise issues.

Alternatively, join forces with users from other companies who are experiencing similar problems. It is also useful to develop a strong relationship with the account managers, so that they learn to respect your opinions and heed your requests.

Finally, remember that you are the customer, and if you don't like the product, you should be able to buy elsewhere. Never put yourself in a position where this becomes impossible.

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