



Sustainable eProcurement Case Studies: A Collection of Practical Insights from the SME Community



1.0 Introduction

1.1 About this document

This publication is based on work undertaken as part of the EPROC project, www.eproc.org, a collaborative European initiative commissioned to encourage and support the adoption of new digital procurement processes and tools by small and medium sized businesses (SMEs). The EPROC project is supported by European Regional Development Funding under the INTERREG IIB North West Europe Community Initiative on Territorial Development.

1.2 Synopsis

This document provides a summary of the major high level insights and lessons learned from the eProcurement (and Sustainable Procurement) Case Studies that have been produced as part of the EPROC project.

It thus provides SMEs with an informed view, based on real experience, of the wide range of issues they may want to consider when going down the eProcurement (and Sustainable Procurement) route to meet their public sector customer needs.

Of course, the one size fits all approach is not usually appropriate to everyone, as such it is up to individual businesses to consider these insights in the context of their unique circumstances, and only then decide on the best way forward. This report is best read alongside the detailed SME eProcurement (and Sustainable Procurement) Case Studies that have each focused on the introduction of particular eProcurement tools and techniques.

2.0 Practical Insights from the EPROC Case Studies

2.1 Supplier Adoption Programs

Most public sector organisations will run some sort of supplier adoption program to help ease SMEs through the challenges of adopting eProcurement. Finding out why your public sector customer wants to introduce eProcurement and what is required to become eProcurement ready, as well as seeing a demonstration of the new way of working, are typically the major components of these seminars. They also provide the opportunity for SME suppliers to ask those 'niggly' questions that can ease or banish the inevitable doubts.

Those SME suppliers that attended the supplier adoption events and took full advantage of any support provided, had a much easier ride with their introduction of eProcurement

Without question, in those cases where the Case Study companies have attended these events, they have found the process of introducing eProcurement to be a far easier and considerably smoother exercise, and this has typically led to a positive view of eProcurement. In contrast, missing them, can result in a long drawn-out learning process, with many teething problems, and can ultimately result in a negative perception of eProcurement. Certainly,

experience from the Case Studies has shown that attending these events can have a significant positive impact.

As part of a supplier adoption program, SMEs may also be given contact details of a support line, usually provided by the software/solution provider, rather than the public sector organisation. Again, those Case Study companies that took advantage of this type of support, had an easier journey into the world of eProcurement.

2.2 Adopting eProcurement – mandatory or not?

With one of the Case Studies, the public sector organisation did not make it mandatory to become Purchasing Card enabled. However, the message coming out of the supplier adoption event was in essence – if you are not

In most cases, adopting a particular eProcurement technique was mandatory. Where it wasn't made compulsory, the message was still that those SME suppliers who are not responsive would be at a considerable disadvantage when applying for new business

eProcurement ready, or are not responsive to our needs, you will be at a disadvantage in trying to win future business. An extract from the public sector organisations' web site further clarifies this position: "Suppliers unable to accept payment via Purchasing Card may be precluded from supplying goods/services to the Council in future as many future contracts will require this facility to be provided by tenderers as a fundamental part of the contract." Ultimately then by not being responsive, these SME suppliers would be putting their own destiny in a very precarious position.

In other circumstances (all the other Case Studies), we are seeing a far more

Some public sector organisations would give their SME suppliers a small 'grace period' by which time they would need to be 'eProcurement ready'

hard-line approach being taken. For example, SME suppliers might be told the only way of tendering is through submitting an on-line tender through an eTendering

system. Alternatively, contracted suppliers might be given a six month grace period following a supplier adoption event, by when they must use a particular eProcurement technique – such as submitting on-line quotes, or sending eInvoices.

2.3 Initial fear of change!

All the SMEs were somewhat fearful and skeptical of introducing a new way of working, even more so in those cases where the business did not attend the supplier adoption event. However, it is important to recognise that fear of change in such circumstances is a natural emotion, and the fact that IT is involved perhaps heightens these concerns (people often perceive more can go wrong).

All the SMEs were anxious about introducing eProcurement and adapting to a new way of working, but the reality of these changes were far more straightforward than expected

Feedback from the SME Case Study companies has shown that the reality of these changes have been far more straightforward than expected, and therefore many of these pre-conceived ideas are not in tune with the real world (see 2.4 below).

2.4 Becoming 'eProcurement capable' – what was required, and what did the new way of working involve?

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Using the eProcurement tools was also relatively easy on the whole and in some cases extremely easy. Adopting the new way of working usually involved a small learning curve and a small time commitment – typically once the SME had worked their way through the new process for the first time, it then became very familiar to them. Where

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problems or difficulties were encountered, it was usually in those cases where either the SME had missed the supplier adoption event, or

IT skills were limited, or both. However, with one of the eProcurement systems the public sector had asked their suppliers to introduce, there were problems related to the functionality of the software, and this proved extremely frustrating for the supplier. It is important to make clear though that this was the exception, rather than the rule.

The Case Studies have also shown that although it is necessary at times to adopt new procedures to support effective eProcurement, such as saving your work routinely when filling out tenders on-line, or checking eMails regularly to see if there are request for quotes waiting, generally speaking, it is just a case of adopting normal best practice approaches to procurement.

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2.5 Benefits and Costs of eProcurement – what is the reality for SMEs?

Although there were some initial reservations from the SMEs in adopting eProcurement, without doubt, the message coming out of the Case Studies is that it is best to adopt a long-term view of the benefits from the outset, and not get too preoccupied with short-term costs.

The major long-term benefit of course, is that you are showing your public sector customers you are willing to respond to their needs, and therefore are creating a good platform to win new business. If you don't respond to their needs, you naturally run the risk of alienating yourself totally from this potential business. It is also worth thinking of your private sector customers – for example, in becoming Purchasing Card enabled at the request of their

public sector customer, one business found they generated considerable additional private sector trade just because they had this facility.

It is possible however that the introduction of eProcurement can result in immediate direct benefits (rather than just those that arise in the longer-term) for not just the public sector, but also their SME supplier. For example, in submitting on-line quotes, one business was able to eliminate paper and printing costs, as well as the cost of sending faxes. It also enabled them to respond to quote requests wherever they were, and resulted in greater transparency in the procurement process (which ultimately led to more business for them). These benefits outweighed the costs that were involved in adopting this new way of working, and therefore both parties (supplier and public sector customer) were to gain.

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However, it is not always the case that both parties can benefit immediately. Indeed, in the Case Study that focused on eTendering, the SME supplier did not feel there were any significant direct benefits from submitting their tenders on-line. But at the same time, there were no implementation costs for them either, and there weren't any additional costs to incur in submitting an eTender. As a result, they did not have a strong opinion of eTendering one way or another. In many ways, they felt it was just a natural progression that was bound to happen in time, and provides an opportunity for them to support their (potential) public sector customer (in the sense that it is clearly a far more efficient process for them).

With some eProcurement tools and techniques, however, there may be noticeable costs involved, and therefore the question of 'what's in it for me',

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needs to be weighed up carefully against the benefits. For example, with Purchasing Cards, if you are only doing a small amount of business with the public sector, and intend to continue in this vein, it might

be that you decide it is not worthwhile given the additional costs involved in processing every transaction. However, if you have a high degree of dependence on your public sector customer/s, the decision will not take much deliberation – this was the case with the SME supplier featured in one of the Case Studies.

To sum up, the Case Studies suggest that a thorough cost/benefit analysis with eProcurement is therefore only necessary if you do a small amount of trade with the public sector in comparison to your overall turnover (and want to keep it that way), and that the system you are being asked to introduce will mean extra costs for you, without any direct benefits.

2.6 Sustainable Procurement – what should SMEs think about?

Only one of the Case Studies focused on Sustainable Procurement, and therefore it is wrong to make any generalisations based on this experience alone. However there are some issues that were raised in this Case Study that will give food for thought for other SMEs, and as such are worthy of discussion.

The SME featured in the Case Study has witnessed an increasing emphasis on sustainability in public sector invitation to tender (ITT) documents and has noticed that procurement

officers are now being far more creative in including it as part of their specification of requirements. They are convinced that Sustainable Procurement will become increasingly important in time, and are taking a long-term view of the investments

The Case Study SME has noticed that procurement officers are being far more creative in including sustainability as part of their specification of requirements. They expect sustainability criteria to become increasingly strict and prescriptive. They believe it is important to invest now for the long-term, so you can demonstrate and provide evidence of your sustainability credentials to help win new business

they have made in this area. They are however already beginning to see direct cost savings as a result of their earlier investments in developing competencies and systems that support a sustainable approach.

The supplier recognises that for the public sector buyer to address the issue of sustainability in ITT documents and evaluation criteria is no easy task, but expect that over time this will become increasingly strict and prescriptive. As such, they feel the need to demonstrate and provide evidence of sustainability credentials will become increasingly important in winning tenders. Their message to other SMEs is to act now, if you haven't already done so, and take advantage of free sustainability appraisals. They also feel it's important to invest for the long-term, and to market your credentials in this area.

3.0 Summary and Conclusions

It proved a challenging task to identify enough SMEs that could feature as subjects of eProcurement Case Studies, and this reflects the fact that the public sector is at an early stage of engaging with SME suppliers. However, there is no doubt that eProcurement is the direction the public sector is heading in, and the way it is going to go. SMEs therefore need to think and plan ahead, and hopefully this is where this document will have proved of use.

Some of the Case Study experiences demonstrated a fairly seamless transition for SMEs in adopting eProcurement. This was usually a result of a combination of different

Where there was a fairly seamless transition in adopting eProcurement, it was usually a result of introducing a simple SME friendly system that works well, alongside a good supplier adoption program. It was also essential that the SME was willing to adopt a positive stance and take advantage of the support provided

reasons: the public sector organisation introducing a simple SME friendly system that works well, alongside a well thought out supplier adoption process with adequate support for suppliers, and good communication. Of

course, not all the credit should go to the public sector organisation, and certainly those SMEs that have adopted a positive stance and have been proactive in taking advantage of the support provided have been more likely to see a positive outcome.

What SME suppliers need to remember however, is that it is still early days in the development of eProcurement, and inevitably your public sector customers are being faced with a steep learning curve. Indeed, one of the SMEs featured in the Case Studies has been able to see how a particular aspect of eProcurement has changed for the better over the years. This is no surprise, given that the technology improved over this period, as did the procedures and processes that have accompanied the advancements in technology. As far as eProcurement and SME suppliers are concerned, it is therefore very much a matter of work-in-progress.

Without doubt, there are going to be some teething problems which will have an impact on SMEs. It was quite clear for example in one case, that the public sector organisation had not implemented an effective supplier adoption program. And this was compounded by the fact that their software/solution supplier had not provided them with a service that worked effectively enough for SMEs.

The Case Study experiences have shown that it is still early days in the development of eProcurement, and the technology is a work-in-progress. Your public sector customers are also therefore faced with a steep learning curve, as are their software/solution suppliers – and thus you need to be prepared in some instances, for teething problems

Of course, there are going to be some aspects of eProcurement that suppliers don't like, and times when SMEs wonder why the old way of working was ever changed. This is bound to be the case, and the only advice one can give is to remember that these changes are being introduced to help re-invest money in front-line public services for the benefit of us all. You also need to keep in mind the bigger picture; that is ensuring you maintain a good relationship with your public sector customer, to help put you in the best possible position to win further business.