

# NATIONAL E-PROCUREMENT PROJECT GUIDANCE NOTES

## INTERNAL BARRIERS TO E- PROCUREMENT ADOPTION

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## 1. Introduction and Definitions

This document describes how an organisation can:

- Go about identifying potential *internal* barriers to e-Procurement
- Understand the nature of the barriers, why they exist and where they are likely to be found
- Prepare an action plan to manage and/or overcome them

Understanding the potential internal barriers at the earliest stage of an e-Procurement project in an organisation will benefit it through:

- Enabling better project planning to allow scope for consultations and debate
- Providing the ability to educate and inform key stakeholders on likely issues before they arise
- Contributing to a comprehensive “Marketing & Communications Plan” which is an essential tool in the management of change process
- Preparing tactics for managing or overcoming the barriers

Excluded from this document is an analysis of the techniques and models for managing change. Further sources of background information on managing change are highlighted in section 5.

## 2. Methodology

### 2.1 Introduction

e-Procurement is a concept that has started to gain a foothold in the UK only in the last five years. While many people are used to using electronic devices and means to acquire goods and services on a personal basis, very few have experience of using them within a large organisation. While electronic communication between organisations and their customers through Websites and other on-line services is now relatively common, procurement has tended to be a much more difficult discipline in which to introduce the ‘electronic’ aspects. The reasons for this at a high level are:

- The range of products, services and works acquired, together with wide variations in the complexity of the procurement route
- Under-investment until recently in procurement as a profession and in the systems supporting it, which have been largely paper-based
- The number of ‘stakeholders’ involved (or people/groups with an interest in the outcome of the activity undertaken)
- Competition from other IT priorities and projects, particularly those which are citizen-focused

### 2.2 Defining the Stakeholders’ Interests

In order to identify potential internal barriers to e-Procurement, the first step is to identify:

- Who has an interest in the outcomes of introducing it
- What that interest is likely to be
- Where the potential concern is likely to be

The project team needs to understand and map this at the outset. The following table provides a useful starting point, although it would need to be tailored to the organisation concerned.

Stakeholder Group	Interest in e-Procurement	Potential Concern
<b>Policy Makers (Members, CEO and chief officers)</b>	<ul style="list-style-type: none"> <li>• Contribution to the implementation and delivery of policy and the impact on external stakeholders in the local community</li> <li>• Link to objectives/ political manifesto</li> </ul>	<ul style="list-style-type: none"> <li>• Impact on organisation</li> <li>• Influence on outcomes / service delivery</li> <li>• Conflict with existing policy</li> <li>• Perceived costs relative to other priorities</li> </ul>

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Stakeholder Group	Interest in e-Procurement	Potential Concern
<b>Finance</b>	<ul style="list-style-type: none"> <li>Financial control</li> <li>Cash flow and management</li> <li>Controlling expenditure</li> <li>Paying creditors in the 30 day limit</li> </ul>	<ul style="list-style-type: none"> <li>Impact on the corporate finance system, particularly around commitments and budgets</li> <li>Cost</li> <li>Loss of control</li> <li>Access to non-authorised catalogues or products</li> </ul>
<b>Legal</b>	<ul style="list-style-type: none"> <li>Ensuring legal compliance</li> <li>Reducing the potential for 'legal' action or accusations of malpractice</li> </ul>	<ul style="list-style-type: none"> <li>Absence of paper and signatures</li> <li>Battle of the forms</li> <li>Proof of acceptance</li> </ul>
<b>Audit</b>	<ul style="list-style-type: none"> <li>Probity and transparency</li> <li>Value for money</li> <li>Minimisation of financial loss (e.g. through fraud, overpayments and bankruptcy of suppliers)</li> </ul>	<ul style="list-style-type: none"> <li>Inability to provide an audit trail</li> <li>Financial loss caused by system errors</li> <li>Separation of duties</li> </ul>
<b>IT</b>	<ul style="list-style-type: none"> <li>Compliance with organisational standards</li> <li>Realisable and realistic business cases</li> <li>Solutions that work</li> </ul>	<ul style="list-style-type: none"> <li>Cost overruns and running costs</li> <li>Interfacing / integration issues</li> </ul>
<b>Departmental Heads</b>	<ul style="list-style-type: none"> <li>Control over their own destiny</li> <li>Flexibility to respond to emergencies</li> <li>Freedom to make decisions based on need rather than just cost</li> </ul>	<ul style="list-style-type: none"> <li>Restrictions on who they can trade with and when</li> <li>Conflicts with functionality and activities in their specialist operational systems</li> </ul>
<b>Administrative Staff</b>	<ul style="list-style-type: none"> <li>Easy to use systems</li> <li>Better quality jobs and more responsibility</li> <li>Job security</li> </ul>	<ul style="list-style-type: none"> <li>Automation leading to loss of job</li> <li>Having to maintain the existing system along with the new one</li> <li>Not being consulted</li> </ul>
<b>Procurement</b>	<ul style="list-style-type: none"> <li>Getting accurate spend information easily and quickly</li> <li>Enforcing corporate / departmental contracts</li> </ul>	<ul style="list-style-type: none"> <li>Having a system imposed on them by other stakeholders</li> </ul>

Not all stakeholders will present the e-Procurement project team with barriers - some may be very supportive. These can provide the 'drivers' that may be of value during the project.

### 2.3 Causes of Internal Barriers

Barriers can occur for many reasons and they do not always manifest themselves in a way that is recognisable. Internal barriers during IT projects are usually the result of some or all of the following factors:

- Lack of ownership of the project – usually when it is imposed
- Fear that the new system will diminish the quality or prestige of the current role or may even lead to

the loss of it altogether

- Insufficient or incorrect knowledge of the subject matter in hand
- Political reasons such as loss of control, particularly over decision-making
- Work overload, giving insufficient time and opportunity for involvement
- Personality clashes
- Poor experiences of technology and IT projects, not necessarily in the current organisation
- Loss of supplier contacts / control

These factors will be present to some degree in all organisations. It is the project team's responsibility to assess the nature and likely impact of these factors at the outset. This can be difficult as not all of them are visible during the project. Some will manifest themselves through direct contact with the project team and these are usually easier to handle. Other barriers will be invisible from the outset and may only be encountered during the project itself. It has been known for barriers to be presented late in the project with the intention of delaying or cancelling.

### 2.4 Categorising Barriers

Barriers can be placed under two headings: actual and perceived. Actual barriers arise where there is a genuine issue based on current policy or circumstances that needs to be overcome. Perceived barriers arise where people think there is an issue based on rumour or outdated sources of information. Both need to be addressed if the e-Procurement project is not to be impacted.

#### Examples of Actual Barriers

- Current Standing Orders or Contract Codes do not allow e-Procurement
- Infrastructure is not in place to allow everyone access to e-Procurement
- Budgets are constrained for purchasing the desired solution
- Insufficient resources are currently available

#### Examples of Perceived Barriers

- Senior Managers will never accept it
- The technology is unproven in the public sector
- The Auditors will say "no", so what is the point of doing anything?
- No one has resolved the "signature" issue
- Supplier rejection

## 2.5 Gaining Confidence

Barriers can be dismantled only if the e-Procurement project team is prepared to tackle them openly and build confidence that they are open-minded and are prepared to listen to concerns and issues raised. Generic techniques that can be used to help this process and gain confidence include:

- Ensuring that all internal stakeholders with an interest in the e-Procurement project are identified and brought into the communication process at the outset. This can be through the use of questionnaires, workshops, newsletters and interviews
- Putting in place two-way communication mechanisms for people to express their views and concerns – particularly through open workshops. This is sometimes known as “surfacing the issues”
- Learning from other people’s experiences on similar projects. These can be organisations from any sector, as the barriers often have a striking resemblance
- Carrying out research on the actual barriers and devising sensible options and arguments before attempting to manage or overcome them
- Ensuring that the Project Board comprises senior people who can make decisions and take actions to help dismantle barriers. For example, the Contracts Code may not currently allow e-Procurement as a means of trading, but it can be updated and modernised, as many organisations will testify
- Project Teams and/or Boards for e-Procurement should always be multi-stakeholder so that essential views are not overlooked

## 2.6 Specialist Barriers

In an e-Procurement project, the most influential barriers are likely to come from the specialist professions, mainly Finance, Legal and Audit. These barriers are likely to be the most difficult to overcome, as these professions are highly respected and responsible for the corporate governance and accountability of the organisations they serve. In most instances the barriers that these professions may create for an e-Procurement project arise usually for two reasons:

1. They have not been consulted or involved in the project and are asked to rubber stamp decisions already taken
2. They are unaware of the complete management picture and do not possess all the facts to balance the minimisation of risk against the maximisation of reward

There are lots of instances where these professions are very enthusiastic about e-Procurement, but every so often an individual, or group of individuals, will raise barriers that need serious attention. The following table illustrates some of the more common internal barriers that may be raised and some counter points against them. Again, this is not an exhaustive list but a starting point.

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Profession	Potential Objection	Counter Points
<b>Finance</b>	Not possible to provide exact commitment data	There are two issues here. The first is that it is possible to set up an e-Procurement solution to provide commitment reporting. The second is that much of the low value expenditure should be bucket-coded and there is no business case for commitment reporting at this level. In some Councils over 25% of invoices account for less than 1% of expenditure
	Purchasing Cards are not permitted by local government regulations	Use of Purchasing Cards is a well-established principle and they are used widely across all sectors. The only barrier could be the organisation's current regulations, which can be changed in order to facilitate the use of P-Cards and other forms of e-Procurement
	Electronic invoices are not permitted by Customs & Excise because of VAT	Again, there are two responses to this point. Firstly, this is not the case. Customs & Excise do support the principle but require that certain safeguards and procedures be put in place. In other areas, the cost of reclaiming the VAT can often be far greater than the sums reclaimable and the organisation should check that the disproportionate cost argument does not apply
	Essential controls that are present in the finance system will be lost through e-Procurement	Most e-Procurement systems have an excellent audit trail and support requirements such as separation of duties. Also, some systems allow you to transfer existing controls to the new system
<b>Legal</b>	A signature is required on all documents	This barrier can be removed in two ways. Either a digitalised signature could be embedded in the solution, or full use should be made of the excellent authority and audit controls in many solutions. These enforce predefined authorities and mean that suppliers can accept documents sent only by authorised representatives. A form of electronic tagging can do this, and it is far more reliable than any paper-based system, where signatures can easily be forged, or any telephone system, where anyone can make a <u>contractual</u> commitment with no restrictions
	Terms and conditions cannot be covered using e-Procurement	Terms and conditions can be easily handled in several ways, including: <ul style="list-style-type: none"> <li>• Agreeing <u>standard</u> terms and conditions off line with the supplier before orders are committed</li> <li>• Attaching them in electronic format with the order</li> </ul>
	Delivery and storage of electronic documents is unreliable compared to paper	Electronic documents are far more reliable both in terms of delivery and storage. They also take up far less room and can be accessed much quicker in digital or electronic format
<b>Audit</b>	Paper copies are always required for the purposes of creating an audit trail	Most e-Procurement solutions have far better audit trails than any manual system, which can easily be abused and circumvented. The main issue is enforcing separation of duties and ensuring that transactions are kept in archive and can be interrogated as and when by auditors
	Public money must be safeguarded. With e-Procurement things can go wrong	This is an issue of risk versus reward. Public money must indeed be safeguarded, but so must the drive to enforce best value for money. It is neither sensible nor desirable to have the same levels of protection for a £100,000 order as for one worth £50, especially as the cost of administering the latter one will be greater than its value. No system is without error, but the experience with e-Procurement is that it can prevent financial loss to the taxpayer far more efficiently than any manual system

Some specialist departments such as Education or Social Services are also likely to raise their specific concerns, but these concerns can vary depending on current organisational structures and other policy

priorities.

If the project team believes that an internal barrier from any specialist group is likely to be raised, it is advisable to research the position in advance and gain a clear understanding of the arguments likely to be deployed. Central bodies such as Office of Government Commerce, Improvement and Development Agency, and Office of the Deputy Prime Minister can provide guidance on policy, and other local councils and potential e-Procurement vendors can provide information on experiences in other projects and how the barriers were overcome.

### 3. Issues and Risks

There are a number of issues and considerations to take into account when dealing with internal barriers in this way.

- The presence of internal barriers can be expected in all organisations – this should not be a reason to do nothing or delay the project until others have made progress
- e-Procurement projects have to compete with other demands and priorities for resources. In many instances the internal barriers raised are because people do not believe the claims in the business case. Ensure that the business case is clear and that:
  - Savings are both deliverable and can be measured
  - Clear distinction is made between benefits and features
  - Senior management endorsement for the business case is achieved
- Internal barriers are a change management issue. Most people create objections because either they feel that they have not been consulted or they have genuine concerns that they believe need addressing. Every effort should be made to remove internal barriers by consent rather than confrontation, as the latter approach, if unsuccessful, can mean the end of the project

Reference should also be made to the change management material developed under this project.

### 4. Conclusions

- Understand who the likely stakeholders in the e-Procurement project are likely to be and involve them all at the outset, even if you feel that they may present problems
- Provide an opportunity for people to surface issues and concerns – remember, if they are not telling you, they are likely to be telling other people about them
- Investigate the nature of the internal barrier (actual or perceived) and work out the best way to overcome it
- Ensure that a Marketing and Communications Plan is in place which sets out, as a minimum, the messages that need to be communicated, the target audience and how barriers will be dismantled
- Remember that you are not working in isolation and that other organisations have encountered similar, if not identical, barriers in recent times. Pick up the telephone or go onto the Internet to find out who could be a useful source of free advice. It does not have to be someone in your sector and it could be a potential system supplier
- Openness and clarity of purpose from the project team are the best ways of making barriers visible early on, rather than letting people argue that they were not consulted
- Accept that some barriers cannot be completely overcome and that some compromises may be needed in order for the project to progress
- A compelling business case always helps to change opinions

### 5. Links to Other Documents

The following web sites and documents provide useful additional information on this subject:

- General papers on e-Procurement ([www.nepp.org.uk](http://www.nepp.org.uk))

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