Technological changes and the impact on P&SM professionals in transformational Government

Why have the Public Sector invested in eP2P solutions?

The following case study is not uncommon in many organisations both within the public and private sector. It was therefore necessary for Government to pool resources and take action.

In a typical example, a London Borough had 13 steps from creating the requisition and approving the invoice. Six separate pieces of paper were produced. If there were no mistakes and the process ran smoothly, each order took on average 69 minutes of officer time to complete over up to seven days. Unfortunately, due to errors – caused mainly when information transferred from one piece of paper to another – around half of all orders placed were delivered incorrectly. Suppliers then had to be telephoned and either another order was created, so that the process started all over again, or the order was cancelled. Altogether this could add another 60 minutes of officer time to the process.

The Borough also found that one in 10 invoices were incorrect and did not match either the purchase order and/or the goods received note. On average, calling the supplier and sorting out the problem could take another 20 to 30 minutes.

All in all, if the goods were delivered incorrectly and there were problems with the invoice, the time it took from raising the order to approving the invoice could take 119 minutes and last up to fourteen days!

This Borough would process around 40,000 orders per year. Assuming that officer time costs £16 to £20 an hour, it was costing the Borough between £750,000 and £1.6 million per year to process its orders.

Taken from eGovmonitor 'Maximising Purchasing Efficiency' By Malcolm Rosier Published Monday, 8 August, 2005

What has influenced the need for change?

- Gershon review, a need for greater public sector efficiency
- Cox report, a need for organisations to be creative and innovative in order to thrive and survive
- Development of on-line P2P solutions that can be centrally hosted and managed yet accessed via the internet.
  - Connectivity available to all Public Sector organisations regardless of size, location and infrastructure.
  - Connectivity to a wider supply base regardless of size, location and infrastructure.

What's in place now?

The OGC Buying Solutions which offers two major services;

Catalist Framework Agreements are a set of pre-tendered contractswith a range of suppliers from which public sector customers can purchase goods and services with ease. A small commission (averaging less than 1%) is collected from the suppliers for each sale they make under our frameworks.

Managed Services are ongoing services managed by OGCbuyingsolutions on behalf of public sector customers with OGChuyingsolutions acting as the "intelligent customer" to a range of strategic partners. These include;

Zanzibar - a purchase to pay system and e-marketplace available to the whole of the UK public sector, extending to any organisation subject to EU procurement rules.

eSourcing - a web based tendering, negotiation, award and contract management systems

The Government Procurement Card (GPC) - is playing a central role in helping the public sector to achieve substantial procurement efficiency savings. More than 73,000 cards have now been used to buy
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goods and services worth more than £1.6 billion. This in turn has produced savings for the public purse of almost £278 million.

eAuction - managed and hosted on line auction services.

The Public Sector Faculty (PSF) is a joint venture between CIPS and OGC and provides an easily accessible virtual community of procurement professionals working in the public sector.

What’s next?
Supplier Portals and Extranets will help to promote supplier self service and electronic data exchange (XML) to further automate and reduce paper trails. Shared services are one of the foundations of the Transformational Government strategy recently published by the e-Government Unit of the Cabinet Office, as well as forming a core stream within the Efficiency Programme. Expanding on this with shared accounts payables and payments could bring further cost savings.

Summary
Modern Governments with serious transformational intent see technology as a strategic asset and not just a tactical tool. Technology alone does not transform Government, but government cannot transform to meet modern citizens’ expectations without it.

The following table highlights the strengths, weakness, opportunities and threats that the public sector could potentially face.
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**Strengths**
- eMarketplaces and eP2P solutions potentially provide;
  - Greater economies of scale
  - Reduced processing times
  - Increased supplier self service
  - Access to more suppliers
- Competition and leverage: development of supplier competition and leveraging of price
- Internal costs of acquisition: the reduction of both procurement and non-procurement overheads.
- More efficient procurement has the potential to deliver significant efficiencies, releasing resources for core activities

**Weaknesses**
- Product or service becomes too generic to work for anyone
- Loss of local knowledge and expertise both in the supply chain and within regional procurement teams
- Different departments starting their own initiatives in conflict with central plans
- A disproportionate focus on reducing procurement overheads. There is a risk of undermining the ability of many organisations' procurement functions to deliver significant sustainable benefit.
- More remote, weaker supplier relationships

**Opportunities**
- 'Joined up' public sector organisations measured on collective budgets rather than localised; this may help promote a more united adoption of joint ventures and initiatives
- Departments to be measured on acquisition and whole life cycle costs rather than price reductions
- In order to achieve a genuine procurement transformation and realise the full value of procurement improvement, CEOs and CFOs must invest in procurement capability through restructuring the procurement function to enhance its influence through
  - re-skilling the staff to extend their capability;
  - rotating them through the business to increase their awareness and specialist knowledge;
  - recruiting to fill any remaining gaps.
- Opportunity for the sector to move to a more inclusive model of procurement in which it is recognised as a key business process for institutions, and is based on strategic, collaborative processes and knowledge-sharing
- Shared Services offer the opportunity to accelerate change in the culture of Public Sector organisations and improve the delivery of services to citizens.

**Threats**
- Organisations are more exposed to eFraud
- Public Sector ‘Initiativeitis’ this could be perceived as the next fad, or latest buzz word and could lose impetus for both buyer and supplier if not sold in the correct way
- No consolidation, the current relative fragmentation still implies that a supplier should connect to several networks; therefore sending out mixed messages, reducing the economies of scale and weakening purchasing power
- Weakened community links and potential decline of local regeneration
- Diminished local supply base leading to decreased competition in the market and less choice
- E is only the tool, cultural, organisation and skills need also need to change.

References and Further Reading

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- eProcurement in action – OCG Spring 2005
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