A Buying Guide

15 ESSENTIAL CHARACTERISTICS OF SUCCESSFUL EPROCUREMENT AUTOMATION

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WHY YOU NEED PROCUREMENT PROCESS AUTOMATION

The goal of this whitepaper is to examine how procurement process automation can overcome the six "Points of Pain" that traditional systems (including those that incorporate online shopping) inflict upon their organizations. These "Points of Pain" relentlessly and inexorably deplete the funds, resources, energy and morale of an organization.

1. **TRANSACTION COSTS**
   It's estimated that labor-intensive, paper-excessive procurement processes can cost organizations more than $100 per order in time and resources—a figure that's often higher than what the ordered item costs!

2. **WASTED EFFORT**
   Paper-based requisition, purchase and approval processes cause redundancy of effort, promote errors, and inevitably result in costly, frustrating delays.

3. **INEFFICIENT MANAGEMENT**
   Because they lack real-time data, administrators have no way of accurately budgeting and auditing their resources, nor can they implement an effective overall purchasing strategy.

4. **LOST SAVINGS OPPORTUNITIES**
   Traditional procurement environments are a breeding ground for "maverick" or "rogue" buying, which according to one study, can account for a 30 to 45 percent increase in overall procurement costs. The purchase of unnecessary or non-contract items in violation of state and contracts occurs routinely, reversing whatever efforts have been taken to save money through volume discounts, preferred supplier lists, and supplier bidding. It's also difficult for organizations to leverage standard operating procedures for state contract utilization. And manual warehouse inventory, because it's not clearly visible, is

never fully exploited, nor can it be easily adjusted to meet the organizations needs.

5. **MISALLOCATION OF RESOURCES**
   The costs are impossible to quantify, but no one doubts that the time and energy people spend procuring supplies would ideally be better spent with students. After all, author Max McKeown defines the goal of procurement automation with almost the same words we might use to define knowledge. The goal, he says, is to allow people "to grow strong and independent in pursuit of the fulfillment that comes from serving other people".

6. **DEPLETION OF ENERGY AND MORALE** —Bogged down by requisitioning paperwork, business managers, administrators and requisitioners find themselves performing redundant and distracting tasks.

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WHAT CRITERIA DEFINE BEST PRACTICES IN PROCUREMENT PROCESS AUTOMATION?

Here are the 15 essential criteria that define the what and how of Best Practices when it comes to state-of-the-art procurement process automation.

1 **First and foremost, the system must completely automate the entire procurement process.**

This means monitoring and making electronically visible every step from requisitioning to approval to purchase order delivery. The solution should electronically unite the organization, the business office and their selected supplier community, ensuring the highest degree of efficiency in purchasing and bidding both goods and services. It should:

- Streamline and source system-wide negotiated contracts.
- Facilitate online bid preparation and review processes.
- Capture and direct spend to on-contract items.
- Present contract and supplier catalogs to all system users.
- Securely enable encumbrance and audit compliance through integration with existing financial systems.
- Manage supplier contracts for dynamic pricing requirements while soliciting and documenting quotes electronically.

2 **The second criterion is experience.**

It must be a tried-and-true, field-proven solution. Which means that it has to have been around a while, widely applied and widely recommended.

3 **The solution has to be open, universal and interoperable. .**

Only a platform-independent solution can be compatible with all pre-existing internal and external systems to which the solution will be connected and applied. (This degree of interoperability between disparate systems and supply chains is made possible by a technology called XML, which stands for Extensible Markup Language.)

WHAT CRITERIA DEFINE BEST PRACTICES IN PROCUREMENT PROCESS AUTOMATION?

4 **The solution has to be complete, unlimited, always on and remotely accessible**

It should meet the organization's needs right out of the box with no customization, tinkering, add-ons or bolt-ons. It should give the organization everything it needs to efficiently procure supplies; there should be nothing you can't buy with it. And it should be accessible 24/7/365 from anywhere.

5 **The solution must be secure.**

At the minimum, the solution should require organizations-administered user IDs, password protection, certified 128-bit encryption, hardware-based firewalls and a Secure Socket-Layer (SSL) protocol. Regularly scheduled system-security audits should complete the multi-tiered safeguarding methodology.

6 **Speed**

The ideal solution should not only mirror the way organizations do business but should exponentially accelerate the process. Procedures that used to take days or weeks can be accomplished in a fraction of the time and in some cases, instantly. As a result, requisitioning and purchasing improve dramatically at all levels of the organization. Accurate reports can be generated in seconds for organizations approval. Every step in the process can be tracked and documented, on paper when needed, via an audit trail. Real-time information should also make smarter by improving budget planning, audit management and overall decision-making.

7 **Accuracy is ensured by procurement process automation.**

Requisitions are accepted only if complete, accurate and updated information is submitted. Overnight, requisitioning becomes an exact science with complete visibility from start to finish.

Errors are endemic to traditional procurement systems. In their book, "The Seven Steps to Nirvana, Strategic Insights into eBusiness Transformation,"9 Mohan Sawhney and Jeff Zabin liken traditional processes of sharing information to the childhood game of Telephone: "Information that is transmitted sequentially from person to person in a chain usually ends up severely distorted by the time it reaches the end of the chain."

WHAT CRITERIA DEFINE BEST PRACTICES IN PROCUREMENT PROCESS AUTOMATION?

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Resistance to change

Our criteria so far have dealt primarily with what Procurement Process Automation does. The rest will deal primarily with how it's done, starting with ease of adoption.

Resistance to change is universal, particularly among organizations that have been doing things a certain way for a long time. (And it has been a long time: According to author Dale Neef, the prevailing paper-based system—with the exception of the fax—has essentially remained the same since before World War II!) To be successful, procurement process automation must disarm and overcome that resistance by making adoption intuitive, comfortable, and stress-free. That brings us to our next criteria.

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As it happens, ease of use, turns out to be anything but easy.

As we mentioned earlier, 67 percent of eProcurement transactions are abandoned because the interface is poorly designed. Why is ease of use so difficult for suppliers to deliver? Because solutions that are genuinely easy to use must in fact be highly complex. The beauty of such solutions is that their complexity is hidden in the background. All we have to deal with is an interface that's so simple and easy to understand that it's almost instantly useable. We look at it, fool around with it, and get to work. It's that simple. Or at least it should be.

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The solution must also be specialized, created both in concerts with and exclusively for the Education and Public Sector community.

Ilt must distill quotes and bids to the most essential steps including catalog requirements, selection and notification of suppliers, the implementation of security functions, the awarding of bids, and the generation of reports. It should also interface and work with the organization's General Ledger system.

WHAT CRITERIA DEFINE BEST PRACTICES IN PROCUREMENT PROCESS AUTOMATION?

11 Organizations require a solution that's flexible.

For example:

- Can users turn the email notification capability on and off?
- Emailing and submitting purchase orders through XML (the Internet–based stream that connects directly with the supplier's order-entry system)?
- Can users choose among a variety of catalogs, including hosted catalogs, supplier web sites, awarded bids and quotes and warehouse inventory?
- Can the solution distribute and facilitate the handling of forms and the building of requisitions for the upcoming fiscal year?
- Does the solution feature approval routings that occur online electronically?
- Does it provide email notifications to the next person in the approval path?
- Can all authorized personnel associated with the process find out exactly what's happening at every step?
- When a purchase order has been processed, can the requisitioner instantly locate the PO and monitor the entire purchasing process, from start to finish?

12 Our criteria also requires that the solution be standardized, meaning specifically that it promote compliance with established business rules.

To support the contracts, purchasing rules and business workflow of your particular organization, it should conform to your unique profile and needs by essentially mirroring all existing processes. It should allow for regulatory compliance, facilitate the audit process as it already exists, and uniformly support and electronically control standard operating procedures for both state and contracts. Ideally, it should also discourage rogue or maverick buying by being so easy to use that it makes no sense not to use it.

WHAT CRITERIA DEFINE BEST PRACTICES IN PROCUREMENT PROCESS AUTOMATION?

13 A solution that's integrated is one that keeps everyone on the same page.

An integrated solution provides seamless, bi-directional data exchange from the purchasing solution to your organization's financial accounting system. Using this integrated and comprehensive approach, the system should quickly facilitate transaction-level integration with ERP and General Ledger systems. Detailed transaction data and timing is transmitted across the interface to your General Ledger, eliminating redundant, error-prone, manual data entry. Requisitioners and approvers conduct commerce in the purchasing solution while business managers and financial administrators can continue to work in the organization's ERP or General Ledger system.

14 Another essential piece of the puzzle is rapid time to benefit.

The speed at which the solution is implemented; the ideal solution should require nothing more than an Internet connection. Its platform-independency should enable a smooth and rapid transition to the digital purchasing world while seamlessly supporting existing purchasing processes. The solution supplier should provide adequate, timely training and documentation.purchasing solution while business managers and financial administrators can continue to work in the organization's ERP or General Ledger system.

15 Our last criterion is value, which we define as the solution's ability to pay for itself.

A good rule of thumb for organizations is that actual cost savings made possible by the solution should exceed what you've paid for it within the first year of its adoption, or less!

Ideally, the solution should be priced on a sliding scale based on student population. Professional services should be included with the fee. Expect that hosting, maintenance and support fees will be between 35 and 50 percent of the annual fee, assuming that the supplier assumes full responsibility for all server issues as well as loading the software and maintaining the hardware that it runs on.

The supplier should be able to provide valid, documented return on investment figures. These should be the annual savings that your can expect to reap based on the actual experience of comparable clients. The projected savings should be based on the ability of the system to link together all components of your organization in a manner that enables volume purchasing at the best pricing

ESM SOLUTIONS EMBODIES PROCUREMENT AUTOMATION

We manage eProcurement automation for you with three key guiding tenets:

1 FOCUS

- ESM Solutions is dedicated to helping public sector customers save money and improve their procurement processes.
- We provide a complete feature set that meets the needs of our specific customers.
- ESM Solution integrates to your GL or ERP system to augment your financial processes.
- We automate your supplier sourcing activities.
- We provide data analytics to enhance strategic sourcing with key suppliers and local and diverse entities.

2 INTUITIVE USER DESIGN

- Our user interface is designed to guide end-users through the purchasing steps.
- End-users don't want to use old software. They want layouts and designs that mirror their personal shopping behaviors.
- Mobile: Our applications have been redesigned for tablets, and with our rapid approval mobile app, approving on the go is extremely easy to navigate.

3

VALUE

- We provide an annual subscription fee, which guarantees unlimited users. It includes the features you need at the budget you define.
- Implementation and integration costs are not disproportionate to the subscription cost. Your one-time fees are manageable.
- And ROI, time to value – you want to start using the system quickly, to allow for a more natural process change. Our Rapid Deployment methodology focuses on getting you up and running in a timeframe that supports your goals.

Our solutions and services are available at affordable prices that accelerate the ROI.

With ESM Solutions, you can be confident that our systems are designed with best practices in mind for your entire organization.

Learn more at http://www.esmsolutions.com