Technology's diminishing role *part 1*

by Jon Hansen

Organizations that already have a technology driven program in place or have just recently implemented one still surprise me with their significant interest in the dramatic changes in procurement methodologies and practices. But rather than focusing learning on new and emerging technologies, today's procurement professionals seek insights into the actual processes that drive their enterprises. The impetus behind this change is largely the result of the fallout from the consistently high level of e-procurement initiative failures. Industry studies for the period 2001-2005 indicate 75-85 percent of all programs fail to achieve the promised results.

There is a growing realization that process, and not technology, is the main force behind successfully achieving results in terms of efficiency and spend rationalization. It is through process understanding and refinement combined with the ability to adapt to the *real world* that credible targets are established and ultimately met.

Process understanding and refinement means utilizing or leveraging business intelligence, or benchmarking, to clarify process gains. Ideally, this would occur before investing in technology but most often the technology decision has already been made, and therefore, process understanding provides a means of extracting unrealized value from current systems versus making a wholesale change, or reaching one's objectives through the introduction of adjunct applications (the logic behind emerging service oriented architectures).

In his book *Good to Great*, Jim Collins takes the position that technology, while important, is not in and of itself the reason behind an organization's success. Following that premise, eschewing a technology-centric approach in favor of a process-centric procurement strategy should provide the critical insight necessary for organizations to properly identify and align technology with achievable corporate objectives. Specifically, the process-first approach should significantly reduce the investment in technology (software) while accelerating savings realization.

What I refer to as technology alignment is making technology a "supporting" player versus the "star" or focal point of an e-procurement initiative.

The City of Houston and State of California provide examples of a technology-centric approach to an e-procurement initiative.

Houston recently announced a $15 million, 10-year contract with SAP – part of a $23 million program, which included an additional expenditure of $8 million for adjunct services. City officials stressed that the technology would standardize the administrative functions across all departments. They also indicated that the new program would require a fundamental change in the way in which Houston handles key business and administrative functions. Despite the significant investment, combined with the requirement for a Herculean change in the way the city does business, city officials indicated that "no cost savings estimates were completed," and as a result they are "not sure how much money Houston will save because of efficiencies." Seems like a large investment when one is not certain of what one will receive in return.

A number of years ago, California entered into a 6-year, $95 million contract with Oracle to find savings in state processes. Oracle provided a savings estimate of $163 million. This number differed from the estimate California received from Oracle's consulting partner, Logicon, who put the figure at $111 million. An investigation by State auditors noted that there were no independent analyses done to verify the vendor's savings estimate and came to the conclusion that instead of saving money, the contract would actually cost taxpayers $41 million.

These are prime examples of a technology-centric approach where the end result is either unclear or does not accurately reflect credible objectives commensurate with real-world requirements.

The City of Houston's program is based on a 10-year contract, and the State of California's aborted contract was to span 6 years. In everyday business, 6 and 10 years can be a lifetime – in the world of technology, it can be the equivalent of several lifetimes. Given past experience with technology, you have to ask yourself what technological changes will take place over the next few years, and what impact will they have on your current program.

Embarking on an initiative scheduled to span a significant number of years without clearly defined goals and dependent upon technology – an industry known for dynamic change – could cause many sleepless nights.

However, unlike technology, your organization's processes and infrastructure are for the most part constant. While a certain degree of deviation takes place over time, the core elements of the organization remain relatively unchanged. It is through the understanding and refinement of these "known" factors that a solid strategy can be established and built upon, regardless of the technological "advancements" that inevitably occur.

Quite simply, once you have utilized business intelligence or benchmarking to understand and define your current processes (including the establishment of credible goals) you are in a better position to leverage the right technologies.

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