How not to abandon your e-procurement initiative

by Jon Hansen

Mark Henricks' article "Flaw and Order" (*Entrepreneur Magazine*, September 2004) referenced a behavioral economics study that identified the eight hidden strategy flaws frequently championed by corporate decisionmakers. The sunk-cost effect – based on the premise of throwing good money after bad – and the herding instinct are the two that seem to relate specifically to the challenges associated with e-procurement initiatives.

The most prevalent question of organizations that are at a crossroads in terms of their existing e-procurement strategy is whether they should abandon an initiative after several years of unrealized returns, replacing it with the "latest and greatest" technology. The proposed remedy to the continued investment in "incomplete projects despite changed conditions that make it unwise to pursue completion" is to evaluate incremental investments as separate projects.

This repeated technology-centric approach to a process-driven requirement could be described as jumping from the frying pan into the fire. Instead I would recommend what Jim Collins refers to as an "autopsy without blame." (In my opinion, Collins' book, *Good to Great*, should be required reading for any organization looking to achieve sustainable excellence.)

The autopsy-without-blame approach recognizes the futility of trying to affix responsibility for a failed project when the situation really calls for a "clean slate" state of mind. Remove any prejudice (territorial protectionism, empire building etc.) and from a neutral perspective, focus on aligning technology with process understanding and refinement. Often, there is significant and unrealized savings to be found within your current environment without having to go through the costly and time-consuming machination of choosing and implementing a "new and improved" application.

To effectively uncover hidden or unrealized value within your supply chain, you must challenge familiar thinking – a "playing it safe" mentality is at the heart of the herding instinct Henricks refers to in his article. The herding instinct represents an abdication of responsibility whereby individuals can deflect accountability saying "this is the way we have always done it," or "our strategy is in line with popular opinion" and therefore "accepted norms." To gain a competitive advantage, the behavioral economics study referenced by Henricks in his article advocates "breaking away from the herd."

Many factors contribute to this unfortunate retardation of creative innovation, but the absence of communication and understanding fuse the desire for safety with the acceptance of inferior results. Author Bill McAneny, in *Frankenstein's Manager – Leadership's Missing Links*, discusses communication skills. It is McAneny's position that communication is actually a desire, not a skill. Therefore, the exercise of understanding the unique and intertwined requirements of different segments within an enterprise is an act of will versus being a skill one can acquire or learn. Ineffective communication between the three core operating units: finance, IT and users, leads to an enterprise-wide disconnect that ultimately and negatively impacts organizational initiatives.

The ability to communicate and the resultant understanding gained through an open and comprehensive dialogue between key stakeholders leads to what philosopher Simone Weil (see editor's note) called "unified totality." This is the recognition that each need to a degree enables, enriches and participates with all other needs. Applied to procurement, this is the recognition that the seemingly diverse goals of key stakeholders have both a direct and indirect impact on the initiative as a whole.

When developing an e-procurement strategy, I espouse the virtues of a process, technology and business intelligence (benchmarking) approach. In the process phase, a Results Objective chart is established to highlight the unique goals of the key stakeholders both within and external to an organization. The subsequent understanding of the processes that drive the desired outcomes is essential to developing an effective e-procurement strategy blueprint.

Once the goals and related processes have been understood, defined and outlined in the strategy blueprint, technology solutions are explored in an effort to identify those applications that align to the way in which the organization operates. This is "technology alignment" – the antithesis of the commonly pursued and usually ineffectual channel alignment practice.

The key point here is that based on open and comprehensive communication – an autopsy without blame – you will achieve a better and more concise understanding of the forces at work within your organization, enabling you to make decisions that will be understood and more readily embraced by all stakeholders. This approach is universally applicable to any stage of an initiative.

You do not automatically have to jettison what is usually a sizeable monetary investment along with organizational morale and confidence. While the blueprint that results from your communication efforts may call for the introduction of complementary applications down the road, the decision will be based on a solid understanding of the results you can achieve within the framework and capabilities of your specific organization. ⋀⋀⋀

Editor's note. "Long before post-modern or deconstructionist ideas became current, Weil was concerned with recognizing the absence of consistency and the continual presence of reversals and contradictions in life." From the cover of the book, *Simone Weil, On Politics, Religion and Society,* ("Women of Ideas" series, Sage publications, London, 1998).

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