Yes, Virginia! e-procurement that works

by Jon Hansen

IN A RECENT POST to my *Procurement Insights* blog (**http://procure insights.wordpress.com**) titled *The Ariba Interviews: Re-engineering the Future of On-Demand*, I reviewed a series of interviews I had with a senior executive from Ariba as well as members from the company's PR firm. Of the considerable feedback received as a result of the posting, the most interesting and insightful comments came from the Commonwealth of Virginia in the Untied States.

The Virginian feedback, compelling by their willingness to provide a perspective from what they referred to as the "other side of the fence," was a refreshing departure from the hyperbole that permeates most discussions about technology initiatives. The subsequent interview revealed an extremely capable group of people whose passion for procurement was only rivaled by their commitment to a vision, which was centered on gaining a thorough understanding of the processes that defined the Commonwealth's procurement practice, as well as the unique requirements of a diverse group of internal and external stakeholders. (Note: While the initiative known as eVA is a Web-based system utilizing different applications including Ariba, the Commonwealth's success had very little to do with the actual technology they employed. The eVA system is used not only by the Virginia state government, but also state agencies, colleges and universities, and many local Virginian governments.)

While there are always numerous factors that can and in fact do influence outcomes, if I were to identify the one key element of the Commonwealth's program that differentiated eVA from initiatives such as the Government of Canada's (GoC) shared services strategy, it would be the aforementioned commitment to understand and respond to stakeholder interests.

Referencing my October 2006 column in *Summit* magazine, (*How not to abandon your e-procurement initiative*), I discussed Bill McAneny's book *Frankenstein's Manager – Leadership's Missing Links*. Relevant to this column is McAneny's position that "communication is actually a desire not a skill." And, the "exercise of understanding the unique and intertwined requirements of different segments within an enterprise" is indisputably linked to a willingness to engage and listen.

Ineffective communication, such as limiting engagement to a select few insiders, leads to what I describe as an enterprise-wide disconnect that ultimately and negatively impacts organizational objectives. In his book *e-Procurement: From Strategy to Implementation*, Dale Neef referred to the practice of limited engagement as a "closed door meeting" mentality that eventually undermines the effectiveness of any initiative.

However, it is important not to confuse the critical differences between a single or "shared" strategy and a true exercise in collaboration. In the former, the strategy becomes the defining point superseding the benefits (and interests) of the stakeholders it is supposedly designed to assist. (Note: See my October 16th post regarding former GoC ADM at DND, Howard Dickson's "the medium is the message" statement. Besides his role with the GoC Dickson, who is now Hong Kong's chief information officer, has had an extensive career with organizations such as CIBC, Guaranty Trust and Ernst & Young. An interesting aside is that in my opinion his departure to pursue "other interests" is troubling as I see it as symptomatic of the transitory nature of the long list of *Way Forward* champions who, while vociferous in their support of the initiative, rarely stay the course. Unlike Virginia, this instability at the leadership level of the GoC seriously undermines both the confidence and commitment of those left behind.)

In essence, the enterprise is pressured to conform to the strategy. This is likely one of the reasons why a 2007 paper, referencing a number of studies and interviews, concluded that 85 percent of all e-government initiatives have failed worldwide.

True collaboration at its elemental roots is based on the development and conformation of a strategy to fit the enterprise. In short it is stakeholder driven versus being program driven. And it is this usually imperceptible key difference that determines the success or failure of an initiative.

In October, I was one of three panelists discussing e-procurement at the 5th Annual Supply Chain Symposium in Toronto. At the table with me was Arthur Skuja, vice president and general manager from MERX. Bob Sievert, director, eProcurement Bureau for the Commonwealth of Virginia joined the panel via telephone.

Many topics were presented for discussion, but I found the conversation surrounding stakeholder collaboration was by far the most interesting and telling.

Responding to a question from the audience regarding the progress of the GoC's strategy for procurement reform, a comparison between eVA's success and the Canadian federal government's continuing struggles with its *Way Forward* became the subject of discussion. (See *Summit*, "The big fix," January-February 2005 and successive issues.) *Way Forward* proponents had initially made reference to eVA as a model they were going to emulate.

After providing an overview of the shared services or "one enterprise" approach that the GoC continues to pursue, Sievert disclosed that the eVA program had similar beginnings. Specifically, the Commonwealth's original approach to driving procurement reform was to establish a single standard across the board. However, the Commonwealth soon realized that the degree of stakeholder resistance at the department or agency level towards what could be referred to as a "monolithic undertaking" in which centralized control (or the illusion thereof) as the driving force was untenable.

The recognition that government is "not just a single business but is actually comprised of many different lines of business," was Virginia's first step toward real reformation. Through the acknowledgement that "government goes beyond a mere org chart" as Sievert put it, the foundation for understanding the "special needs, special rules and special challenges associated with the procurement practice of each entity" was properly laid.

As well as recognizing the inherent flaws associated with a shared services approach, the Virginian team had the courage and determination to change course. As a result, the Commonwealth avoided the trap of eVA becoming a "software (IT) project," as Sievert described it, and was able to shift the emphasis from an exercise in cost justification, to one of process understanding and refinement.

Now, as I indicated in the original *Yes Virginia* postings to my blog, I do not want to mislead you into thinking that the Commonwealth did not experience a degree of pushback from stakeholders. They did. The key difference with eVA was the willingness of senior management to listen to and understand stakeholder concerns and take the appropriate course of action to remove barriers.

Results, as the saying goes, speak for themselves!

While the GoC program, for example, appears to have fallen victim to inertia – perhaps because it seems to place the greatest effort on selling and enforcing change, (recently, smaller departments have had their budgets cut as a means of persuading them to utilize the shared services model), eVA consistently demonstrates strong growth and even stronger acceptance both internally and externally.

With eVA, 1 percent of the total identified spend of $3.5 billion was processed through the program in 2001. In 2007 that number has increased to more than 80 percent.

Simultaneous to increasing throughput, the Commonwealth's supply base grew from 20,000 in 2001 to 34,000 in 2007. What is worth noting is the expectation that the level of vendor acceptance will likely continue to grow as demonstrated by the fact that the distribution of business over the entire supply base has also increased substantially. Data provided by Virginia indicates that just 6,000 of the 20,000 registered suppliers received orders prior to eVA's introduction in 2001. Nine months into 2007, 14,756 of the 34,000 registered suppliers have already received orders. (Note: Another example of Virginia's level of commitment to stakeholder engagement is the Commonwealth's decision to shelve a strategy involving the introduction of digital signatures into the procurement process. One of the main reasons for this decision was the potentially negative effect such a strategy would have on the SME/HUB communities.)

Unlike the elite group of organizations who represent the 15 percent rate of success in implementing e-procurement systems, the palpable absence of similar data or results from the 85 percent of initiatives that are viewed as being unsuccessful is telling. Included in the latter group would be the GoC.

What the eVA results really indicate is that stakeholder acceptance (buy-in) is not determined by the strategy or technological platform that is pursued (eVA certainly would have been equally successful with another vendor's product). It is instead driven by the proper alignment of these elements with the way in which the organization operates in the real world.

Based on this precept, and complementing the question "is your e-procurement initiative a threat or a benefit to your supply base," is the equally important question "do you truly understand stakeholder issues and objectives, both within and external to the organization?" Answering these core questions will determine if you become another statistic in the long line of initiative failures, or a shining example of exemplary vision in which communication is the foundation. ⋀⋀

Note: The original unedited version of this column is available online at Jon Hansen's blog, **http://procureinsights.wordpress.com**.

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