

# Cloud Services Jumpstart Procurement Modernization

---

**W**hen the Commonwealth of Massachusetts wanted to modernize its eProcurement platform, it undertook a three-year evaluation process and sat through demos from several vendors shortlisted during the RFP period. One option that wasn't up for consideration was using the standard procurement module within its existing enterprise resource planning (ERP) application. The reason: It offered fewer capabilities than leading best-of-breed eProcurement solutions and would only be available to users behind the commonwealth's firewall. That's about 5,000 users, or a fraction of those the commonwealth wanted to bring under its procurement umbrella.

"We have a much broader audience," says Elaine McGrath, director of the Massachusetts COMMBUYS Market Center managed by the Operational Services Division (OSD). McGrath says 75,000 people may ultimately use the system, including those from the 70 executive agencies required to use it, plus 80 other commonwealth agencies that may choose to do so.

Massachusetts isn't the only government entity considering a standalone eProcurement module that integrates with an ERP platform. Arizona, New Jersey, Virginia and other states, as well as cities like Fort Worth, Texas, are planning to or have already implemented modern eProcurement solutions.

Massachusetts' extensive selection process shows that picking the right best-of-breed option requires a clear strategy and careful evaluation. But the payoff can be big. A modern eProcurement solution can give agencies comprehensive data to make more informed decisions, extend the reach of the system to additional users and provide access to more advanced procurement capabilities. Here's how to begin the journey to eProcurement success.

## **eProcurement Gains Public Sector Popularity**

In a recent Center for Digital Government survey of 138 state and local executives, respondents reported a number of pain points with their current procurement capabilities. More than half of the officials said they

wished their ERP-based procurement capabilities were easier to implement and offered better analytics. They also saw the need for customizable vendor management tools and built-in support for requisitions, bidding and purchase orders. Another knock: gaps in encumbrance, pre-encumbrance and expense controls.

Enter modern eProcurement, which is typically defined as an end-to-end platform that handles everything from requisitions, purchase orders and online product catalogs to vendor management and payment processing tools. The latest third-party applications are often delivered as a cloud service that integrates with existing ERP systems. What's the draw for these so-called best-of-breed choices? Four benefits stand out:

**1**

#### **Quick value**

Organizations may experience long delays before they gain the benefits promised by the procurement modules accompanying ERP platforms. The reason: the finance modules within ERP suites must be implemented before the procurement capabilities can be used. By contrast, best-of-breed options layer modern procurement on top of existing operations, delivering value as soon as the integration is completed.

**2**

#### **Ease of use**

Best-of-breed eProcurement is user friendly and ties directly into an organization's existing core financial business processes.

**3**

#### **In-depth cataloging tools**

Online catalogs let buyers quickly see approved vendors, compare pricing and submit online orders to speed procurements. When transaction data is sent to backend reporting systems, it helps managers perform valuable trend analyses.

**4**

#### **Cost control**

Cloud-based eProcurement solutions relieve government IT departments from having to buy, implement, test and manage on-premises hardware and software. In addition, they offer predictable cloud service fees for the life of contracts without unexpected costs for upgrades, security patching or infrastructure issues.

### **The Payoff of a Comprehensive Strategy**

Benefits like these spurred Massachusetts to evaluate cloud-based eProcurement to modernize its existing operations. In spring 2014, it launched the COMMBUYS Market Center for purchasing goods and services. The new eProcurement platform

**“We’ve seen a remarkable uptick in the number of vendors that compete for bid awards. Having more vendors competing for contracts is going to drive down prices too.”**

– Elaine McGrath, Director, COMMBUYS Market Center, Massachusetts

replaced a solution that McGrath describes as primarily an electronic bulletin board where staff could post bids. The old system only captured summary information about bids and transactions, unlike the extensive information gathering goals McGrath and her staff had for the new application. “We wanted to get our hands on better purchasing and procurement information so we could perform more detailed trend analyses,” McGrath says.

The selection process began about three years before COMMBUYS went live. After the procurement team posted a request for information, seven vendors pitched their eProcurement solutions. A year later, the commonwealth awarded a bid to the research and consulting firm Gartner to help design a roadmap, business case and eProcurement solution. Formal product evaluations began in early 2013, and by the spring the commonwealth had selected a solution and signed a contract.

The team built the business case for a new eProcurement solution by evaluating costs for ongoing operating expenses over six-and-a-half years, assuming growth of both base buyer and vendor registration at about 6 percent per year. They then estimated an overall return on investment (ROI) based on the department's revenue model. Each statewide contract vendor pays the commonwealth an administrative fee of 1 percent of the total amount — adjusted for credits or refunds — of goods and services sold to eligible entities from each statewide contract. “We looked at our strategy for adoption and the rate at which we thought we could have people adopt, and projected revenues out through fiscal year 2019,” McGrath says, adding that receipts through fiscal year 2016 are on track with original projections and vendor registrations are exceeding expectations.

The full complement of catalogs and procurement and purchasing capabilities became available to buyers in March 2014. The commonwealth is seeing a range of benefits as a result of the implementation. Among the biggest is the richer storehouse of data, including details about the number and value of orders placed each day, how many are based on statewide contracts, the number of registered vendors and how

# Five Key Implementation Considerations

Simply finding a best-of-breed eProcurement solution isn't enough to ensure a successful outcome. Executives must also devote time and resources for keeping the rollout on track.



- 1 Dedicate resources for end-user training to drive acceptance.** Thorough change management procedures are essential, especially in cases where buyers are asked to move from paper-based processes to online workflows. Modernization veterans say a mix of training techniques are required for end users, ranging from web-based instruction and small group seminars to one-on-one sessions that address specific concerns. One hurdle will be asking procurement professionals to shift from the personal relationships they've developed with suppliers to using online catalogs.  
  
A fully staffed help desk is another critical resource. "There's a lot of one-on-one interaction happening every day," McGrath says. "And I think the fact that we provide good customer service helps market our contracts and their value to commonwealth entities."
- 2 Cultivate executive sponsorship.** Another must-have for user acceptance is regular communication from senior leaders that the new eProcurement solution has their full support. Get executives on board with a clear business case that shows investment returns over multiple years and the ways in which streamlined procurement can reduce processing time.
- 3 Capitalize on the support of early adopters.** Limit the initial rollout to a core group of users who show positive interest in the new solution. Once these early adopters are familiar and onboard with the modernization, elicit their help when expanding the system to others.
- 4 Communicate with vendors.** With all the attention on bringing insiders up to speed with a new procurement system, it's easy to overlook vendor relationships. Set aside time and resources to notify suppliers well in advance of receiving their first purchase order from the eProcurement platform. Otherwise, an unexpected delivery mechanism and system name may cause processing delays, especially for companies used to phone calls or paper forms.
- 5 Keep integrations simple.** Limit integrations with core ERP systems to a handful of essential areas, such as general ledger and chart of accounts. Then take advantage of standard APIs, such as cXML for procurement-related communications and SFTP for secure file transfers between systems.

many government entities have purchased individual products. "The plethora of data points to opportunities such as what products are growing in demand and where the opportunities are for re-negotiating agreements based on demand," McGrath says. "These are areas we could only speculate on before."

Other municipalities are piggy-backing on the system. More than 40 percent of the commonwealth's 351 towns and cities now use COMMBUYS. OSD staff are actively recruiting other government entities, as well as school districts and higher education institutions. The selling points: Taking advantage of statewide contracts simplifies the process for local procurement staffs because they don't have to negotiate directly with vendors or create their own contracts for similar

goods and services. The marketplace also provides an easy way to post new bids and collect vendor responses. Costs may be lower as well. "By aggregating purchasing, we can drive down prices when we renegotiate contracts," McGrath explains.

The growing marketplace is also attractive to vendors. "We've seen a remarkable uptick in the number of vendors that compete for bid awards," she says. "Having more vendors competing for contracts is going to drive down prices too."

## A Best-of-Breed eProcurement Checklist

Some — but not all — third-party eProcurement services can help state and local governments streamline their acquisitions and provide advanced capabilities.

Before evaluating potential solutions, procurement department leaders should work with other senior executives, CFOs, IT managers and end users to formulate a clear set of criteria.

Next, look for an eProcurement solution designed specifically for government. After all, the procurement needs and regulatory requirements of state and local government are much different than those of commercial businesses. For example, the solution should be able to obtain multiple quotes for products and services and make bids and transactions easily viewable for greater transparency into government spending. It should also comply with the Americans with Disabilities Act. Because government procurement rules often promote supplier diversity, determine which vendors support awarding contracts to small businesses and those owned by women, minorities and citizens with disabilities.

"It's not just about vendor performance; we're also focused on the diversity of vendors," McGrath says. In Massachusetts' case, that meant establishing a real-time interface to the commonwealth's Department of Revenue to validate small business vendors and the Supplier Diversity Office to update vendor certifications.

Other key features to look for include the ability to perform the full procurement cycle online. The solution should provide catalogs for making purchases, offer sophisticated reporting and analytics capabilities, and make procurement activities transparent to the public. Additionally, the solution should have the ability to set up contracts in the ERP system and make payments to it to support the full procure-to-pay cycle.

## The Fast Track to Streamlined Procurement

In an era of tight budgets and close scrutiny of government spending, state and local governments are looking for new ways to improve procurement activities. That's leading some organizations to look beyond the standard procurement modules within their ERP

*This piece was developed and written by the Center for Digital Government custom media division, with information and input from Periscope Holdings.*

Produced by:

CENTER FOR  
**DIGITAL**  
GOVERNMENT

## Finding Funding for Best-of-Breed eProcurement



Finding funds for new initiatives is never easy, and investments in third-party eProcurement solutions are no exception. But experts say careful negotiations with ERP vendors can help agencies make the most of their money.

For example, ERP suites contain a range of modules for finances, HR, procurement and other capabilities. During contract negotiations, buyers should press for price breaks for functions they're not using or for which they'll support with a third-party option. The savings can then be dedicated for alternative solutions. The bottom line is, in an era of tight monetary control, don't be forced to buy what you don't need, and instead get the services that will actually deliver value.

In addition, choosing a cloud-based eProcurement solution eases deployment, because there is no large upfront capital investment in hardware.

suites for third-party alternatives. These best-of-breed services can be a boon for modern eProcurement operations, but only if decision-makers evaluate options carefully. Insist on an eProcurement service designed with government in mind, tools for supporting the full procure-to-pay cycle, the ability to create catalogs and advanced analytics capabilities. Thanks to the cloud, options exist for integrating innovative eProcurement modules on top of existing operations and reaping the rewards of solutions that address the unique requirements of the public sector.

For:

**Periscope**  
HOLDINGS INC

For more information, visit:  
[www.periscopeholdings.com](http://www.periscopeholdings.com)