The Battle Over Funding — Procurement Enters the Ring

THE ADVANTAGES OF E-PROCUREMENT VERSUS EXPENSIVE ERP SYSTEMS

By Brittany Devine

> **P**ut your boxing gloves on. You're headed into the ring, and it might just be a knock-down, drag-out conversation. Constrained budgets across the country have agencies and departments fighting for coveted dollars to fund "must-have" projects and initiatives. But how are these limited resources best allocated? Which projects drive value? Which initiatives will yield the best return on investment? It's time for procurement to enter the ring and demonstrate that purchasing departments hold the key to government reform.

With increased demand on leaner workforces, technology is creeping up on everyone's priority list. For example, Michigan's technology-minded governor, Rick Snyder, views the revitalization of information technology as a crucial step to get his state back on track. Snyder considers technology the backbone of a plan to increase efficiency and eliminate waste in government spending. The state's 2013 budget clearly reflects the governor's priorities, allocating $48 million to replace or upgrade aging computer systems.

Like the State of Michigan, finance and budget committees

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across the United States are dedicating funds to information technology overhaul. But which technology ventures should be tackled first? Departments are going head-to-head to determine who deserves first dibs on funding.

At first glance, Enterprise Resource Planning (ERP) systems get the attention of finance and IT, but the realities of associated cost and project length quickly sink in. Over the last few years, a shift has occurred. State and local entities are temporarily putting ERP systems on the back burner to make room for nimble and lean solutions, like e-procurement, that yield immediate results.

The State of Michigan is a leader in that shift. "We're looking at the whole procurement system, from A to Z," Michigan Budget Director John Nixon told the *Detroit Free Press*. Part of Michigan's technology reform plan is an e-procurement system to provide better data tracking and to demonstrate how and when to get the best deals. Speaking to the significant value-add of e-procurement, Kurt Weiss, a spokesman for Michigan's Department of Technology, Management and Budget, said: "It also will allow for quicker turnarounds on bids and easier communication among state purchasing office officials and vendors, which will increase efficiency."

The public sector needs technology projects to enhance transparency and increase efficiency, without breaking the bank. In today's technology battle, e-procurement solutions are winning the fight.

HERE ARE SOME REASONS E-PROCUREMENT KNOCKS OUT ERP IN TODAY'S ECONOMY:

> **Quick implementation and quick return.** As states, counties, cities and municipalities face financial burdens, attention should be focused on ventures producing rapid return. E-procurement systems are implemented within months, not years, and the return on investment is evident almost immediately. Conversely, finance-driven ERP systems are notorious for taking years to implement. A hiccup here and there, and before you know it, ERP projects are behind schedule and facing months of fruitless

waiting. Long projects cause frustration and create a lack of confidence in an entity's ability to deliver service to constituents. Government officials also find it difficult to invest in massive projects if the return on their investment won't be felt for several years.

> **Spend savings.** Process efficiency is a benefit to implementing an electronic procurement system, but workload efficiency is not the only benefit. E-procurement produces tangible spend savings through strategic sourcing, maverick spend reduction, and by identifying cost saving opportunities. Public sector entities that have implemented e-procurement have experienced savings in the range of 20 to 30 percent.

> **Cost of an ERP.** At first glance, an ERP might seem doable, until you get a glimpse of the ERP price tag that can reach up to the $250 million range. Governments are working to achieve balanced budgets, not fall into money pits. Economic hardship lends little flexibility to engage in long, drawn-out projects that by definition are more expensive. At a fraction of the cost, e-procurement systems are more attractive. You get results with a clearance-sale price tag. Executives are also intrigued by the opportunity to create an additional revenue stream which is possible through an e-procurement system.

> **Private sector expertise.** ERP systems are designed for the private sector. Large ERP software suites provide good functionality for the finance and manufacturing industries, but they traditionally have little focus on public sector or higher education procurement markets. They lack the functionality required by government policy and processes. Many ERP companies and consultants customize and create "one-off" versions of the software to meet public sector needs. This leads to cost increases, and ultimately taxpayers foot the bill. Additionally, due to the customizations, future upgrades are difficult and expensive, which often leads to a quickly outdated product.

> **Functionality.** ERP is not a one-stop-shop to meet full enterprise needs. Procurement is highly neglected within these systems. In fact, "bolt-on" software products are often required to fill gaps in purchasing functionality. Common procurement bolt-ons include stand-alone catalogs, vendor portals, e-RFP programs and reverse auction systems. E-procurement specializes in accommodating all your procurement needs into one seamless system. ◄

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