

Academic research into the adoption and Usage of eSourcing Tools in the UK

**An Oracle response into new research by the
Chartered Institute of Procurement & Supply and
the University of the West of England**

Five years on from the 2004 report into the adoption of eSourcing tools in the UK, the Bristol Business School of the University of the West of England in partnership with the Chartered Institute of Procurement & Supply have looked again at the extent of adoption in both the public and private sectors, as well as key enablers and inhibitors.

research review



In response, Andrew Spence (left) and Marco Rossi, procurement specialists at Oracle, reviewed the report findings, and offer us their views on the highlights and implications:

Why, for the majority of organisations polled, has eSourcing not developed into a central component of their sourcing strategy?

Andrew: In procurement departments the role of eSourcing is certainly growing in both tactical and strategic importance. However, this technology is only used on a relatively small percentage of spend. In fact the biggest highlight of the report for me was the statistics that 89% of respondents are using eTendering, but the percentage of overall cash spend remains low.

Marco: This is suggestive of an audience that has yet to grasp the full potential of the available technology, but I think it also highlights the wider problem in that most companies have an 'auctioning guru' who offers specialist focus, but this insight is missing in the eTendering arena as responsibilities are spread wider across the board, with individuals who have not had the opportunity to either acquire the tools or knowledge to utilise them in their standard tendering process.

Can we consider eSourcing tools as mature technologies?

Marco: Certainly more and more organisations recognise the value they deliver across their operations. If 92% of respondents claim they have been using eAuctions for at least a year, and 80% for eTendering, then eSourcing in general has achieved wide scale adoption. eAuctioning is common in procurement departments but for only a small percentage of total activity, which is not surprising when you consider it does not extend across every procurement category. However, I am more surprised that there is not wider use of eTendering than the report suggests.

37% have been using eTendering tools for more than 3 years

Andrew: I believe this is less to do with the toolsets generally available on the market, which have evolved remarkably over the past ten years, and more to do with education. Across any procurement department there is a general familiarity

with auctioning processes, but tendering frequently remains an off-line activity with emails being sent between buying groups and suppliers.

The report highlights low levels of aggregate spend for eSourcing, what can be done to improve this?

Marco: I actually believe the biggest issue is education, as I don't have confidence that tool sets are being adopted and utilised in the manner they should. What was noticeable with the auctioning function was how mindsets began to change when these new technologies began appearing in the marketplace. The problem for eTendering is that the mindset within many organisations is still very much paper-based, and the challenge to software vendors is to instruct users on the potential of electronic tendering.

There are also some very poor processes in eTendering documents being used that further hinder progress, which again points to a need to educate and involve individuals in how best to utilise technology to adopt a more

technical approach to tendering. This will of course also help from a compliancy and auditing perspective.

Does the report suggest an audience that understands the full benefits of eSourcing tools?

Andrew: Certainly it does when we're talking eAuctioning, where it is far easier to quantify the value and gains that can be achieved. It is harder to detail the range of benefits for tendering teams, where the arguably more complex and prolonged processes involved don't associate themselves with immediate benefits.

61% of respondents are using eSourcing tools

When developing the business case for eSourcing tools, potential customers also need to identify the significant benefits that can be delivered to other areas of the procurement organisation including improved compliancy and auditing and a more comprehensive lifecycle management for products and services.

What is the general perception of the value of eSourcing tools?

Marco: In a way this goes back to the maturity question. Within the realm of auctioning, there is a general understanding as to the value being delivered, messages that are amply supported by customer cases, return on investment stories and the like.

From this perspective, eAuctioning is perceived to offer measurable value, as is shown in the report through expanding user percentages. I would say therefore that the value of eSourcing is understood, but associated more closely with auctioning than tendering.

45% have been using eAuction tools for more than 3 years

Andrew: Tendering is as much about managing the contract lifecycle, which is a major reason why people have not adopted the tendering piece as much. The problem is one of complexity, as the lifecycle of a tender links in with a lot of other elements including complex terms and conditions, deliverables referenced in the contract, even contracts associated with the contract. So a lot more complicated detail than the auction process, which in part explains the weaker take-up of eTendering.

81% plan to expand eTendering usage

Has the economic downturn had an impact on the adoption of eSourcing tools?

Andrew: Personally, I believe the downturn has had a positive effect on overall demand. The vast majority of customers I speak to are under growing pressure to deliver efficiencies and

increased performance, and to be able to demonstrate measurable benefits to the business. Certainly in the eAuctioning side of eSourcing, users are expected to be able to show the achievement of immediate, big value, cost savings.

How does the Oracle eSourcing solution differentiate itself in the market?

Marco: In my view, the greatest differentiator of Oracle eSourcing tools, and of our procurement solutions in general, is the close integration that binds them all together. This provides a world-class platform that seamlessly integrates with ERP applications, eBusiness and financial systems. As a result, customers are presented with a holistic solution that incorporates analytics, P2P, master data management, ERP, eSourcing and procurement solutions that can be deployed in a modular fashion to meet the specific needs of each client. There are also the options for deploying in-house or as an outsourced business process, or a combination there off.

ACCESS REPORT

To read the full research, or discuss with Oracle how we could help you overcome many of the challenges of adopting eSourcing tools and processes, please contact Brian Mace:

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