

eProcurement: The Promise and the Reality

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EXECUTIVE OVERVIEW

Throughout the twentieth century, corporations turned to their purchasing departments for new sources of savings. The focus was typically on production goods and services that didn't suit the needs of the indirect spend. While new methods and information systems were instituted, the indirect spend—the purchase of non-production items and services such as personal computers and peripherals, office supplies, printing services, and facilities services—remained the bastion of paper-based systems.

Within the past few years, eProcurement applications usable by the average employee have become available, appearing as the magic bullet with the promise of transforming the buying process and saving companies millions and even hundreds of millions of dollars annually.

The fact is, eProcurement is a magic bullet. Early adopters are proving it. It can't help but improve the buying process. At the same time, as one would expect, we are seeing that it takes more than simply a three-month implementation. The benefits do not come without serious effort and continuous improvements as companies learn how much their processes, policies, and supplier relationships must shift: and, as they learn how much better the applications themselves must become.

In this white paper, we attempt to bring the promise and the reality of eProcurement into focus. In short, all parties involved—your enterprise, your suppliers, your application service providers—must create an alignment of business processes and elements. Only by aligning all organizational, process, system, and other elements can you get the most out of an automated procure-to-pay cycle.

The responsibility of the purveyors of eProcurement systems is to help your company do just that. Key to achieving maximum benefit is providing a full complement of application capabilities that make eProcurement easy to learn, use, deploy and change, and measure and analyze. It should be easy for everyone involved: employee, purchasing professional, manager, and executive. This is the strategy behind Oracle's PeopleSoft Enterprise eProcurement.

ePROCUREMENT: THE PROMISE AND THE REALITY

eProcurement has reached a critical point in its evolution. The words “hype,” “problems,” and “falling short of promise” repeatedly appear in articles and speeches about the subject. This attention to eProcurement indicates that there are now enough implementations to learn what works well and what doesn’t, and how eProcurement needs to evolve as a business concept and technology.

This is a good sign as it means that things are happening. According to many analysts, 2001 is the year of eProcurement. A survey late in 2000 by the Institute of Management and Administration indicated that relatively few companies (8 percent in their survey) have completed or are now implementing eProcurement systems. But more than 70 percent of the companies responding said they are “currently preparing for the advent of e-purchasing.”¹

Let’s assume that, logically, eProcurement—the automation of the cycle of requisition to order, fulfillment, and payment—cannot fail as a concept.

Just follow a paper requisition around a company from desk to desk. Follow purchasing professionals around when they try to answer an employee’s plaintive, “Where is my requisition!?” Count the days and weeks it takes between requisition, delivery, and then delivery to the desktop. Ask the purchasing department how much money is being left on the table in supplier negotiations because too many suppliers are being used and there is no way of tracking purchases in depth—for example, by supplier, item, cost center, or geography. Ask them if they really know how much maverick buying is being done, or whether their figures belong in the hall of shame along with statistics on undiscovered computer fraud.

Poor processes. Scant data. Beleaguered purchasing departments. Frustrated employees. There’s nowhere to go but up.

Procurement of indirect goods and services is one of the last strongholds of paper-based processes, even in corporations that are otherwise global high-tech leaders. As one of those companies told us: “There’s so much to do with customer related systems, indirect procurement has been a function that you don’t fix ‘if it ain’t broke.’”

Yet, it is broken. As consultant A.T. Kearney has asserted, “If left unchanged, the procurement department will quickly become the corporate ball-and-chain of the 21st century. An anchor to an obsolete way of doing business, it will also hinder the company in its efforts to unlock value.”²

Consider that these expenditures can amount to as much as 30 and 40 percent of revenues. And, according to various user and analyst reports, there’s so much low-hanging fruit to be picked, the tree’s branches are touching the ground. Here’s the potential:

¹ **Supplier Selection & Management Report, Most Procurement Pros are Still at the Starting Gate with e-Procurement, Institute of Management and Administration, December 2000.**

² **The New Procurement Mandate: Growing Within Tomorrow’s Supply Webs, A.T. Kearney, 2000.**

- A 5 to 20 percent cost reduction for products and services, resulting from a combination of eProcurement, greater control of off-contract purchasing, increased use of preferred suppliers, and improved leverage for negotiating.³
- Up to 70 percent processing cost reduction per order.⁴ (The true cost of order processing is elusive, given the diversity of items and services bought, and estimates of “average costs” ranging from under \$100 to more than \$250.)
- A 50 to 70 percent reduction in time to cycle completion, from order initialization through fulfillment.⁵ (We record one company that slashed the cycle time for buying PCs by 90 percent.)
- A 15 to 20 percent reduction in the maverick spend, which may account for as much as 40 percent of the total indirect spend.⁶
- Significant inventory reductions.
- A radical shift in the purchasing function from tactical to strategic—from professionals spending 80 to 90 percent of their time on requisitions to focusing primarily on such issues as supplier negotiations and relationships, measurement and analysis of the spend, the procure to pay cycle, employee behavior and supplier performance, and continuous process improvements.

Given the results of adopters to date, such numbers seem plausible over the long term—if eProcurement is done the right way.

ALIGNMENT FOR SUCCESS

What does “the right way” mean? It means all of the following parties have their individual processes and elements in alignment:

- The company.
- Suppliers.
- eProcurement applications vendors and service providers.
- Marketplaces and buyer-seller exchanges.

Realizing the promise of a highly automated procurement cycle doesn’t come by simply installing an application. While not as ambitious and costly as the move to enterprise applications or supply chain planning and management, eProcurement similarly implies companies will modify their processes internally and with their suppliers if they are to receive full value from the effort. Companies must align the key elements to succeed.

³ Hands-Free Procurement, Forrester Research, Inc., 2000.

⁴ Internet Procurement Automation Looks Like a Winner, Aberdeen Group, Volume 12, February 1, 1999.

⁵ Ibid.

⁶ Internet Procurement—Low Risk, High Return, AMR Research, Inc., 1999.

Managers also need to take into account eProcurement's stage of development. At this point, we are only seeing the first 18 months to three years of implementations by the early adopters—the companies that have helped define the applications and services.

The application is gradually evolving in both functionality and its back-end integration. Electronic marketplaces are proliferating in number and evolving in service. And new consultants, application vendors, and application service providers are appearing on the scene. Many suppliers of goods and services are just now beginning to understand the need to create electronic catalogs and restructure their own back office systems for eProcurement.

Internal Alignment

The first step to a successful implementation is laying the foundation for eProcurement—which means aligning the organization, business strategy, processes, people, systems, and supplier relationships. For instance, where growth and profitability depend heavily on achieving major operational efficiencies, eProcurement typically represents an enormous opportunity. For a company trying to leverage the combined buying power of autonomous business units or newly merged companies, this alignment of the internal processes and elements is essential.

The organizational issues involved in internal alignment revolve around control of procurement policies, procedures, and supplier relationships. To achieve fully leveraged buying volume, a company must put into place:

- Primarily centralized control of supplier relationships, including a reduction in the supplier base, the establishment of corporate preferred suppliers, and negotiated agreements based on volume.
- Predominantly standard procedures and policies.
- A common application system linked at the back end to common business applications.

Highly centralized organizations may already have this in place, but decentralized organizations typically face a paradigm shift that needs to be handled gently. One model often used here is the creation of a small centralized purchasing function, with business units retaining some control over supplier selection and customization where they need it.

Processes for requisition, approvals, orders, payment, and delivery need to be aligned with the capabilities of eProcurement. Historically, automating manual processes has impaired the promise of dramatic improvement. Last year, Forrester Research pointed this out in a report, noting that many implementers have done

just that: automated existing processes for approving requisitions.⁷ The result is something akin to speeding up molasses.

The Forrester Research report proposes additional solutions such as authorizing employees to order items directly, up to a given spending limit, and automatically emailing exceptions to their managers.

This shift in process and policy raises internal issues concerning people and culture. To effectively mitigate this shift, change management is crucial for:

- Employees who need convincing that “automation” equals “speed.”
- Purchasing professionals and administrative assistants who will see changes in their jobs.
- Executives and managers in autonomous business units who are unhappy about changing procedures and, likely, suppliers.

Even in high-tech companies, people don’t uniformly take to change and, at times, early implementers have been surprised by the amount of resistance. Freedom to shop seems to have the ring of freedom of speech. Early implementers emphasize that collaboration, continuous education, incentives, and forums for complaints are mandatory throughout each phase of implementation and beyond.

Another aspect of change management is managing expectations. For more than a year, Gartner Group eProcurement analysts have repeatedly emphasized the reality of the situation: that “the transformation of processes in large enterprises takes more than two years.”⁸

The prospects of eProcurement are quite real, but as Gartner points out, they don’t happen all at once even if the company does everything right.

Three months to eProcurement pilot and initial rollout? Yes, it can be done—and is being done. But it doesn’t mean all policies, procedures, and processes have been redesigned to maximize outcome. It also doesn’t mean that everyone is on the system, or that it contains every item and service they need to buy, or even that full-blown capabilities are installed.

The reality is closer to perhaps a few dozen or a few hundred people, a limited number of product categories, and several supplier catalogs in the pilot, followed by an initial rollout of the same products and suppliers to a business unit or geographic location.

In a hurry for deliverables, some companies are implementing an unmodified, out-of-the-box version of an application first before customizing later on.

What’s the bottom line here? Early in 2001, Gartner Group’s A. Kyte asserted, “Even in pure white-collar industry sectors, like banking and insurance, we expect

⁷ Hands-Free Procurement, Forrester Research, January 2000.

⁸ CEO and CIO Update: E-Procurement Yields Benefits, but Takes Planning, Time, Work, Inside Gartner Group This Week, February 23, 2000.

that it will take at least three years to bring 50 percent of the white-collar MRO (materials, repairs, and operations) procurement spending under the control of the eProcurement application, and it is likely to take another three years to reach 80 percent of spend. These cautionary findings do not mean that eProcurement offers no value... Rather, it is necessary to develop a long-term program plan for eProcurement to gain maximum value at lowest risk.”⁹

Supplier relationships need to be realigned in several ways. Since the 1980s, many companies have been collapsing their supplier bases and establishing a relatively small base of preferred suppliers, but this remains a work in progress for most. Those who haven’t been doing this face the daunting task of weeding out suppliers, negotiating contracts or agreements with preferred suppliers and others, and preparing for eProcurement all at once. As they gain more insight into purchasing volumes and supplier performance, including the supplier’s value-added services, these companies will need to monitor the process until it is fine tuned.

Supplier Alignment

Getting suppliers aligned with eProcurement needs is crucial to achieving its full potential. As the Forrester report points out, most buyers with eProcurement aren’t placing orders through the system but rather sending them in through EDI, email, or fax—either because the supplier can’t take them any other way or the buyer is mistrustful of security issues involved in ordering over the internet. With both email and fax, suppliers are keying in the orders, often increasing the time to delivery by days.

Early adopters, consultants, and analysts emphasize that suppliers should be selected and scheduled for inclusion on their eProcurement network according to readiness and importance. “A structured methodology is needed to reduce the cost of each supplier’s inclusion,” says Gartner Group.¹⁰

Suppliers must align their processes and systems with eCommerce and the needs of their customers. Yet, most aren’t yet prepared for this. Gartner Group’s A. Kyte has pointed out that many suppliers “lack not just the sell-side applications and content management expertise, but also the back office infrastructure to be able to interface with their customers.”¹¹

In a highly efficient end-to-end process, supplier systems should not only take orders without re-entering them, but also respond with availability, delivery dates, and status reports. This requires integrated order fulfillment and supply chain systems.

Suppliers must also find the best means of creating and maintaining electronic catalogs that suit the buyer’s needs. This may include the catalog customized for the

⁹ Selecting Suppliers for White Collar MRO E-Procurement, A. Kyte, Gartner Group Research Note, January 17, 2001.

¹⁰ Ibid.

¹¹ Ibid.

buyer's eProcurement system, the marketplaces they use, and the supplier's website catalogs.

This isn't a trivial issue. Many suppliers are in a bind for a variety of reasons. A number of the catalogs are paper based. Some suppliers haven't developed a catalog that anyone but they can read. Others have electronic catalogs, but they are compatible with only one electronic marketplace, and the buyer isn't influential enough to convince the supplier to provide a version they can use. As it turns out, the demands for customization are becoming so great that suppliers are incapable of filling them.

Some are hearing the siren call and have begun developing sophisticated website catalogs that are programmed to display only the negotiated items and prices to employees of major customers. Electronic marketplaces with on-ramps for interoperability are offering solutions for administering such catalogs.

ePROCUREMENT SOLUTION PROVIDERS

Vendors and consultants obviously need to align their product design and evolution with customer needs. Yet, which providers should a company select? In aggregate, a company needs experts in business-critical systems, procurement, eProcurement, and eCommerce.

The application vendors, consultants, and any other service providers selected should, in combination, possess the expertise to help customers lay the foundation for eProcurement, plan for implementation, and execute it over time. This includes experience in implementing:

- Process, organizational, and supplier relationship changes.
- The right implementation timetable, by:
 - function within the application and integration with the backend systems.
 - geography and business unit.
 - products and services.
 - catalogs, according to supplier priority and readiness.
- Change management, including cost justification and expectation management, creation of planning and development teams, and education and training.

The greatest sources of expertise here are those who have designed and successfully implemented business-critical solutions, such as enterprise systems, supply chain management, and customer relationship management systems.

Even if, for the short term, your enterprise wants a quick install of an eProcurement system without back office integration, buying a pre-integrated solution or planning for back office integration is critical to realizing eProcurement's potential.

General knowledge of major process and IT change must be combined with very specific procurement, eProcurement, and eCommerce expertise. There may be many players in this cast. Indeed today, many partnerships exist among eProcurement specialists, integration specialists, and players in the enterprise system and supply chain arenas. The caveat to this is that as the industry evolves, partnerships are changing, and it is likely to be several years before the dust settles. Where multiple specialists band together, the partnership must be strong and viable in the long-term if eProcurement is to evolve without joining the ranks of failed companies and partnerships.

An alternative to partnerships is the major provider with key pieces in place—eCommerce, eProcurement, enterprise systems, and supply chain management. Long-term viability, a large customer base of experience, strong application technology, and the ability to interface with existing customer applications are among the prerequisites for singular leadership in this marketplace.

Regardless of the providers a company chooses, they must represent a vision. The providers must be able to see:

- The overall technical and business requirements for automating the request-to-pay cycle.
- The route to global visibility—the single portal—into both the indirect and direct spend.
- Ultimate solutions for interoperability across external networks and internal applications, and the evolution of transactional and logistics services to be provided across the chain—from buyer to seller to trading exchange to marketplace intermediary.
- The future of supplier relationships in the virtual supply chain.

SELECT THE RIGHT SYSTEM: EASE, FLEXIBILITY, VISIBILITY

Far-ranging expertise and vision, strength in partnership, viability—these are the provider's virtues. But what about the system itself?

Ease of use, streamlined processes, exception processing, customizable workflow, globalization, support of organizational structures, content and application interoperability, reporting, and analysis. These are among innumerable, key requirements for eProcurement.

The crucial question to answer for each requirement is how well the capability meets your need for ease, flexibility, and visibility. Every feature needs to be created with these virtues in mind, or eProcurement won't hold its promise to employees, purchasing professionals, or management. A complex, inflexible system leads to alienation.

Consider just one major fallout of alienation: unresolved maverick buying. Maverick buying can account for up to 40 percent of the indirect spend. If the

indirect spend consumes as much as 30 to 40 percent of revenue, as it does at some firms, maverick buying may consume up to 10 percent of corporate income.¹² With this in mind, it's not out of the realm of possibility that many of the Fortune 500 have, in aggregate, allowed their employees to shop virtually uncontrolled to the tune of at least several hundred billion dollars annually.

If eProcurement doesn't significantly stem maverick buying, then the enterprise suffers losses in:

- Leveraged buying and its attendant discounts and value-added services.
- Data for essential drill-down visibility into the spend and supplier performance.

Without the ability to track this significant portion of buying data, management's commitment to eProcurement—what should be a valuable business enhancement—is likely to suffer.

MEET THE NEEDS OF EMPLOYEES, PURCHASING PROFESSIONALS, EXECUTIVES

The first question is whether the application provider has focused the application squarely on what employees and purchasing professionals need. All values to the enterprise flow from this.

Employees

What do employees want? With little or no training, they want to be able to enter a requisition or order through eProcurement in a faster, easier, and better way than they can by circumventing the system and going to a local supplier or general website.

This is accomplished by establishing rules, streamlining processes, and creating standard forms for any type of requisition. A few clicks, a few frames and they are able to complete a simple requisition—faster. Search engines help employees find exactly what they want and navigators guide them through the requisition process. Employees' authorized spending limits cover most indirect items, so they can often order directly through internal eProcurement catalogs, electronic marketplaces, or the supplier's website.

The system is set up so that employees can comparison shop, considering not only price (stated in their own currency) but also any value-added services negotiated with a preferred supplier. When they want to configure a PC or brochure design, they direct connect to a supplier website and transfer that configuration back to the requisition.

Finally, they are able to track their requisitions throughout the process—from approvals and availability to shipment status. They can order some items to be

¹² *Ibid.*

delivered to the desktop, and once received, be prompted by email to confirm receipt.

eProcurement features, then, must include:

- Product and service templates.
- Advanced, parametric search capabilities.
- Robust exception processing, including order changes and returns.
- Interoperability with electronic marketplaces.
- Sophisticated workflow.
- Globalization.
- Full visibility to the entire procure-to-pay process.

Purchasing Professionals

What does the purchasing department need? Purchasing professionals want a hands-off world—a request-to-pay cycle automated to the fullest, leaving them to consider and negotiate requisitions for the complex high dollar items not covered by contracts or agreements. They want to be freed up to spend time focusing on supplier relationships.

Within eProcurement itself, this means the ability to handle all types of item and service purchasing and all forms of access. Some examples include catalogs located in the buyer's system, a marketplace or trading exchange, or the supplier's website. The workflow is sophisticated, triggered to move requests down appropriate paths. To further help stave off maverick buying, the system links employee purchasing cards to the eProcurement application. This enables purchasing management to track all instruments used in making buys. To control all facets of the spend, purchasing has a 360-degree view of the request-to-pay cycle: requests, approvals, purchase orders, supplier notifications, change requests, receipts, returns, invoices, and payments. The information flows easily between eProcurement and accounts payable, budgets, assets and projects, human resources, receiving, and inventory.

Reengineering isn't limited to a one-time event. As purchasing managers learn what works and what doesn't, they can modify the workflow and forms without bringing in an IT specialist. As eProcurement is rolled out, they can customize the system to the purchasing needs of individual business units wherever they are located in the world. This includes handling differences in approval structures, item and service needs, suppliers, currencies, and laws and regulations.

Armed with sophisticated reporting and analysis, they are supported in their negotiations with suppliers by real-time information on purchases with a given supplier, enabling price agreements that change with volume.

The particular features needed for purchasing professionals, include:

- Streamlined power user purchasing functionality for the buyer.

- Sophisticated and easily customizable workflow.
- Advanced, eProcurement analytics.
- Single workflow and single administration across integrated applications.
- Support of multilevel hierarchical organizations, defining buyer groups and enabling them to manage supplier content for their needs.

CEO

What does the CEO want? Purchasing managers focused on profitability rather than requisitions and employees focused on business, rather than buying indirect goods and services. For decades, particularly in slowing or mixed economies, corporate management has looked to the purchasing department to find ways of saving money: savings that will go to the bottom line and enable them to invest in growth opportunities.

Management requires operational excellence and the ability to derive the greatest value from the extended supply chain—capabilities that contribute not only to savings but also to outstanding customer service and employee performance.

The technical features that contribute to achieving these goals include:

- Multiple buying methods and the choice to leverage the spend in multiple ways—including volume buying through preferred suppliers, auctions, and consortia.
- A single portal to go through for all indirect spend.
- A single place, a central database, for in-depth information on indirect expenditures.
- Workflow that easily molds to the business and its evolution—through new acquisitions, offices, and markets.
- Rapid action through a streamlined procure-to-pay process, including exception handling.
- The proper tools for managing supplier relationships and analyzing the spend.
- Ease of eCommerce integration, including eProcurement, with the existing environment.
- eProcurement interoperability with diverse back office systems.
- Global interoperability with wide-ranging marketplaces and suppliers.

THE PEOPLESOFT ENTERPRISE ePROCUREMENT SOLUTION

The PeopleSoft Enterprise eProcurement solution is a natural extension to PeopleSoft Enterprise systems, supply chain management, customer relationship management, and eCommerce solutions. Our Compass Methodology, customized

for PeopleSoft Enterprise eProcurement, enables rapid implementation, while preparing clients for what is to come.

PeopleSoft Enterprise eProcurement is an outgrowth of experience with the planning and implementation of our own back office purchasing solutions and early third-party niche applications for eProcurement. As a result, we are preparing the way for the extension of relevant web-based, user-friendly capabilities to direct-procurement processes.

Our focus is on the needs of the customer. The backdrop for PeopleSoft Enterprise eProcurement is the need for greater profitability and growth through operational excellence and a high-value supply chain—integrated, interoperable, collaborative, intelligent.

In the forefront are the employees and the purchasing professionals. With ease of use, change, deployment, visibility, and measurement, enterprise benefits flow from these virtues.

PeopleSoft Enterprise eProcurement offers a single place to go for indirect spend and does as much as possible to ensure employees continue to return. Maverick spending begone.

PeopleSoft Enterprise eProcurement provides all the capabilities discussed here, including the following advanced features that further ease the processes of search and requisition globally:

- Full 360-degree view of the request-to-pay cycle.
- Robust exception processing for change requests and returns to vendors.
- Globalization, including nine languages, multiple currencies, and other features.
- Advanced Search, such as synonym recognition, Boolean search, and the ability to search and browse by category.
- Parametric Search to search on attributes registered to a category.
- Real-time inventory availability check and sourcing from inventory.
- Direct Connect to a supplier site for configuration and other services.
- A request navigator that steps them through the requisition process, displays the process throughout, and checks off completed items.
- Express forms assigned by commodity.
- Service purchasing templates for fixed-cost, time and labor, or time and materials services.
- Schedule lines, showing delivery data and destination.
- Automatic 'request for receipt' confirmation via email.
- Wireless access to requisition approvals.

- Purchasing cards with the ability to apply for them, charge requests, and reconcile statements.

For the purchasing professional, the PeopleSoft Enterprise eProcurement solution provides advanced features including:

- Two-dimensional eProcurement analysis, including spend by category and department, sourcing analysis, and buyer metrics.
- A buyer's station with streamlined power-user purchasing functionality.
- Linking of PeopleSoft Enterprise eProcurement requisitions with assets and projects, providing real-time updates accessible to managers of these functions.
- The ability to create Express Forms easily with more robust workflow and commodity assignment.
- Enhanced workflow, enabling the selection of multiple triggers, including the ability to select any field as a trigger and set the priority or sequence of approvers.
- Integration of purchasing card buys with the PeopleSoft Enterprise eProcurement database, enabling administration and tracking of purchase card spending.
- Expansive globalization features, helping to accelerate global rollouts.

Integration Simplified

Integration for end-to-end procurement can be a costly, complex, and seemingly endless process. It has to be simplified. This is a key reason why PeopleSoft Enterprise eProcurement was developed. The solution enables us to take the same approach we have taken with enterprise and other applications, offering our customers two choices:

- A suite of full extension, integrated PeopleSoft Enterprise solutions. PeopleSoft Enterprise eProcurement is integrated with PeopleSoft Enterprise applications, Oracle's PeopleSoft Enterprise MarketPlace, and Oracle's PeopleSoft Enterprise HRMS (Commercial). It is also interfaced with Oracle's PeopleSoft Enterprise Inventory, Oracle's PeopleSoft Enterprise Asset Management, and Oracle's PeopleSoft Enterprise Projects, as well as legacy enterprise applications. Eliminated are the risks and labor of multi-vendor partnerships.
- PeopleSoft Enterprise eProcurement can be integrated with a customer's existing enterprise applications through standard integration points that allow eProcurement to communicate with legacy enterprise applications. Eliminated are the risks of third-party integration tools between disparate systems.

CONTENT INTEROPERABILITY: MULTIPLE SOLUTIONS

The element of choice in sources of goods and services is largely determined by content interoperability. With interoperability, you are able to access any trading exchange or supplier site, read the content, and interact with it.

The problem remains that there is no single standard for content interoperability. A supplier may provide its content only to one marketplace, and your eProcurement system may not be able to access it. Another barrier to overcome is that marketplaces may be closed to non-members, failing to provide the on-ramps necessary to allow other marketplaces and individual eProcurement systems to communicate and pass purchase orders through to member suppliers.

One good solution is to obtain an eProcurement product that is designed to talk to multiple sources of data—innumerable suppliers and marketplaces. PeopleSoft Enterprise solutions have approached this issue from many directions by:

- Supporting standards to simplify access, including XML, EDI, and UNSP/SC item categorization.
- Creating Direct Connect, enabling employees to direct connect with supplier sites.
- Creating a hub, PeopleSoft Enterprise MarketPlace, through which PeopleSoft Enterprise eProcurement users can access multiple marketplaces.

BLASTING AWAY AT THE BARRIERS

A company can be up and running on an eProcurement application in three months, but eProcurement is not a three-month implementation. It's a new way of doing things—something to be taken a step at a time. It's a significant process of reengineering and linking up with other processes that have been reengineered. This process continues as more improvements and more connections are made.

eProcurement is a changing, living concept. The lessons learned from eProcurement are filtering into the processes of production purchases, and vice versa. Some of the eBusiness concepts of the direct spend—supplier collaboration, available- and capable-to-promise, demand planning, and global visibility—are seeping into indirect purchasing. Both sides are trying to improve visibility by integrating their purchasing systems with asset and project management, and other related systems.

What is now definitively known is that the early adopters of eProcurement are obtaining positive results. Even with one commodity, one business unit, one location at a time, they are seeing return on their investment. They've shown that it takes time to get part way there, but whatever they've done, it's a tremendous improvement over what they had.

We're now entering a new phase, with more and more implementations getting under way and more suppliers aligning their electronic processes. As we're showing with Oracle's PeopleSoft Enterprise eProcurement solution, our application and

integration innovations are blasting away at the barriers, making eProcurement easier to use, deploy and change—and making the details of the indirect spend more visible.

The future of eProcurement is bright. The promise is that, if done properly, its payback can be astonishing in savings and added value.



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