



National e-Procurement Project

Delivering e-Procurement

DESKTOP GUIDE TO E-PROCUREMENT IN LOCAL AUTHORITY CONSTRUCTION

Efficiency and collaboration through the use of e-technology

Checklist: Overcoming the barriers

The potential benefits from e-procurement are recognised by contract and procurement managers in the construction sector. However the adoption of e-procurement in this sector is well behind other areas of council expenditure. Some of the reasons have emerged already. Discussions with the Stakeholder Group councils identified a set of key barriers and some suggestions for overcoming them, which are detailed in the following checklist.

Considering and addressing these challenges at an early stage in the implementation process will help a council to overcome many of the barriers they face, and will help to ensure that the introduction of e-procurement into construction is successful, in terms of both the implementation and the benefits that it ultimately delivers.

Look at the 7 barriers and consider which is stopping your authority from taking advantage of e-procurement in construction.

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Checklist: Overcoming the barriers

Barrier 1: Complexity and culture change

A key characteristic of local authorities that prevents e-procurement generating benefits in construction is the lack of a compliance culture. That means poor up-take of e-procurement solutions and framework contracts, and duplication of effort across councils in managing tendering and supplier approval etc.

The scale of the changes needed to adopt e-procurement into local authority Housing, Property and Highways departments is felt by many managers to be too big to handle.

Where an authority employs a direct works labour force, the opportunities for process improvement are significant, but often this is given low priority as "too difficult" or due to uncertainty about the future of the in-house function.

Where the work is contracted out or passed to an arms length organisation, the authority has little interest in the efficiency of processes – it can simply require that the external partner delivers a cost-effective service.

Key actions to overcome the barrier:

- Introduction of new processes and systems does raise culture change issues and many of the departments are not geared up for change. However it is also true that it is in these areas that there are the greatest potential benefits to be realised.
- In some cases it will be necessary to outsource the functions to achieve real change. Whether work is done in-house or contracted out, the strategic view needs to be taken – cost will only be taken out of the supply chain when considered as a whole.
- **Focus on transforming processes and culture before adopting new systems and tools – or they won't get used.** This is particularly important where a department has been able to operate relatively autonomously until now, so resistance to change will be ingrained.

Is this a key barrier for us?



Barrier 2: The focus is predominantly on procuring services which are more difficult to automate

The Construction sector is more complex than many other markets because there is a tendency for both the suppliers and customers to be compound organisations, especially as the projects grow larger. Construction services don't lend themselves to simple one-size-fits-all solutions.

Key actions to overcome the barrier:

- Implementation of new systems and processes needs to take the complexity into account; tailored and bespoke solutions may be needed.
- **Don't overlook the fact that there is a lot of scope for improvement in simple materials procurement.** Use online catalogues and other ways to aggregate and rationalise ordering and invoicing eg PCards.

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Barrier 3: Organisation and political complexity

An important barrier to efficiency in construction is the number of tiers and the number of people involved in decision-making in local authorities.

Key actions to overcome the barrier:

- The complexity requires considerable effort and cost on both sides of the supply chain and ways to streamline decision-making should be sought wherever possible.
- **Use workflow-prompted systems eg e-Tendering and e-Contract Management Systems to speed up and improve the efficiency of the process.**
- These systems can accommodate the complex financial and political framework that authorities operate within and ensure consistent compliance to the rules.

Is this a key barrier for us?



Barrier 4: Ineffective collaboration

Local authorities are perceived as risk-averse and, particularly the larger metropolitan councils, not working together very effectively in the construction sector. London boroughs in particular have been singled out as insular and not collaborating sufficiently. "If government is not joined-up, e-technology solutions won't improve things".

Key actions to overcome the barrier:

- The local authority construction sector is complex. However collaboration can be encouraged by the introduction of e-procurement tools. These make visible the management information needed to enable more effective collaboration.
- **As more data becomes visible and can be shared, use this to identify opportunities for collaborative initiatives and shared framework contracts.** This will lead to improved results and greater acceptance of collaborative working.

Is this a key barrier for us?



Barrier 5: Suppliers' lack of readiness

Adoption of e-procurement, contract management and collaboration tools are dependent on all parties having the skills and technological capacity to cope with the change.

Although the top construction companies are well advanced in their own process modernisation programmes, this does not extend to the smaller companies who can find aspects of e-technology difficult to manage. Many of these would also not be able to cope with the large framework contracts that will be increasingly used in this sector.

Key actions to overcome the barrier:

- Don't overestimate these barriers – they may reflect out-of-date perceptions. For example the experience of Yorkshire councils is that most companies can cope with accessing supplier portals and submitting tenders electronically.
- **If there is a political motivation to include small local suppliers to protect the local economy, use the examples quoted in this guide (eg Fusion21) and elsewhere to design an approach that is economically sustainable.**
- Encourage these local suppliers to register with a standard pre-qualification service and alert them to any local or regional Supplier Portals.
- Include relevant clauses in major contracts to encourage the use of local sub-contractors.

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Barrier 6: Lack of compatibility/integration between systems

The majority of the maintenance work that is carried out using direct labour is managed manually or using specialist works order software etc. There is little evidence of integration with mainstream procurement.

Key actions to overcome the barrier:

- In some cases this is because the future of the direct labour force is being examined or actually in transition to an external contractor. Whichever outcome is decided should enable specification of change to more efficient systems.
- **If your authority has retained its direct labour force, give priority to overcoming any incompatibility between legacy works order systems and newer financial and e-procurement systems. If necessary, replace or upgrade specialist systems to enable integration.**
- Be aware that both local authorities and the construction industry deal with other types of organisation and other markets. Make sure e-Procurement solution providers understand how to bring construction into the solutions they are offering for use in other areas.

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Barrier 7: Lack of standards, sector specific issues

There are some practical issues specific to e-procurement in the construction sector, such as the lack of standards for secure information transfer. These barriers are effectively stalling the progress that authorities should be making in implementing e-procurement in their construction functions.

Key actions to overcome the barrier:

- Work to build up experience in the use of digital signatures and the transmission of drawings and large documents over the web. Once people are more familiar with these technologies, their confidence will grow and they will be prepared to invest in the time and effort to adopt the new systems.
- Be aware, in introducing e-procurement solutions, of specialist accounting requirements such as the CIS tax regime for construction labour, which requires registration of subcontractors. **System providers need to address such issues and find ways of incorporating these requirements into their solutions.**

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