Avoiding the 10 Most Common Mistakes in Selecting and Implementing e-Procurement Solutions

A Coupa Executive White Paper

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Executive Summary

The benefits of e-procurement software have been well documented. In the 20 years since these solutions first entered the market, studies have shown, time and time again, that e-procurement systems not only yield a high return on investment, they're also a necessity for good corporate governance.

A 2006 Aberdeen Research survey of 170 companies showed that companies using e-procurement software[1]:

- Increased their spend under management by 38%
- Reduced their requisition order cycles by 84%
- Reduced their requisition to order costs by 59%
- Reduced maverick spending by 40%

Procurement solutions have done an excellent job of streamlining processes, improving control, and generating cost savings.

A new generation of solutions has led to a surge in demand for e-procurement software, particularly among small and mid-sized companies that were previously priced out of the market. These solutions, built using Web 2.0 technologies, have eliminated much of the complexity of traditional e-procurement solutions. They're also much easier to use and require less training. Some of these new solutions are also offered on demand, which has enabled companies to deploy their purchasing systems in a fraction of time, and maintain them at a fraction of the cost of traditional solutions.

Unfortunately, while e-procurement technologies have improved dramatically in recent years, companies' implementation practices generally have not. According to a 2005 KPMG study, 49% of participants experienced at least one project failure within the most recent 12 months.[2] A recent Gartner Group study suggests that three-quarters of new IT projects will fail due to fundamental flaws in project planning.[3] It's with these statistics in mind that this whitepaper has been created.

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[1] The E-Procurement Benchmark Report, The Aberdeen Group, October 2006.

[2] The Global IT Project Management Survey, KPMG, 2005.

[3] CEO and CIO Alert: Five Mistakes That Will Derail an e-Business Project, Gartner Group, 1999.

In this whitepaper, we identify the top ten most common mistakes we see companies make over and over again in selecting and implementing e-procurement software. Our goal is to make companies aware of these mistakes so that they can take a pragmatic look at their approach to product selection and implementation, and make adjustments that will save time, save money, and increase the likelihood of a successful implementation.

Mistake #1. Failing to Try Before You Buy

Most companies take the same, classic approach to making enterprise software buying decisions. They start with a search in Google or download an analyst report to create a short list of vendors. They then review vendor websites, datasheets, whitepapers, and glossy customer success stories. After viewing a few short online demos, they invite a handful of salespeople to give them hour-long PowerPoint presentations. That's followed by a carefully scripted demo conducted by a skilled sales engineer. Throw in a multi-page, check-listed matrix of functionality with vendor-supplied data for good measure, and wrap up the process with a conference call to a vendor's favorite customer reference. At this point, many companies believe they've done their homework.

Free, no obligation trials are the best way for your users to fully understand a solution.

The reality is that while each of the steps in that process has value, each has it's own shortcomings, and all of these steps combined still fail to provide you with a complete view of a solution. Vendor collateral can be counted on to highlight the best aspects of a product, but will never cover its shortcomings. A well- scripted demo can give people a feel for the user interface, but provides little valuable information about the day-to-day challenges employees will face using the system. Finally, it's rare to find a vendor's reference that won't provide glowing reviews— some are even coached on how to handle buyers' most difficult questions. This standard sales process, orchestrated by the vendor, isn't going to give your company the information it needs to make an informed decision.

Insist that vendors give you access to their solutions before you make any commitment

What's missing? Look at how you manage the sales process for big-ticket purchases in your personal life. Few people would buy a new car without a test drive, and few would let the salesperson do all the driving. So why let your company invest in software without your employees taking a turn at the wheel?

You should require vendors to provide a free trial of their solutions to help your company better understand:

- How well the solution can map to your company's business processes.
- Where there may be potential gaps in product functionality.
- How easy it is to use the product on a day-to-day basis.

Insist on a no-obligation, free trial before you make any commitment. If a vendor is unwilling to give you access to their system, reconsider whether you want to proceed with that vendor.

Mistake #2: Buying Into the Feature- Function Arms Race

E-procurement software has been around for decades, so it's no surprise that practically every package on the market has the same basic core capabilities. Most everyone can create requisitions, gather approvals, create purchase orders, and manage invoices. This creates quite a conundrum for software vendors. How can they differentiate their products in the marketplace? Vendors really only have three choices: compete on price, compete on ease of use, or compete on unique functionality.

Evaluate solutions based on how well they address the challenges your end users face, rather than the sheer number of features and functions.

While it's important for vendors to be competitive on all fronts, most choose to focus on the third one. After all, trying to compete on price can hurt a company's stock price (and the salesperson's commission). Competing on ease of use is difficult to capture in a salesperson's sound bite. But competing on unique functionality— that strategy appeals to most software vendors. Since buyers often evaluate solutions with spreadsheets listing hundreds of features, why not add dozens of unique, but obscure features to differentiate a product. The product with the most check boxes wins, right? Following this logic, software companies tend to believe that one of those unique but obscure features is bound to be the silver bullet that wins the deal. This is how the software feature-function arms race begins.

The downside of this approach is that over time, the hundreds of "unique" features become useful to a smaller and smaller group of customers, and the added complexity of these additional bells and whistles inevitably comes at the expense of product quality and usability. Many buyers end up with bug-ridden "bloatware" that's full-featured, but difficult for the vast majority of users to use.

The best strategy to avoid becoming a "casualty" in this feature- function arms race is to avoid buying into it in the first place. During the selection process, procurement departments should remain focused on what their end users want instead of adhering to a vendor-provided checklist. Take a pragmatic look at how well the solution fits your company's needs, and ignore features you company doesn't want or will never use. Evaluate solutions based on how well they address the challenges your end users face, rather than the sheer number of features and functions.

Mistake #3: Ignoring the Benefits of Software-as-a-Service (SaaS)

It's no secret that within most companies, IT resources are both scarce and overburdened. A recent study cited in the MIT Sloan Management Review states that, on average, today's IT departments spend 70% to 80% of their budgets just trying to keep existing systems up and running.[4] Because most companies' IT resources are so burdened with tactical responsibilities, little time is available for more strategic efforts.

Companies should consider on-demand delivery based on total cost of ownership and time to value.

In this environment, even at companies with well-funded, high-performing IT organizations, it's very common for organizations to overestimate IT resource availability, underestimate the time required to actually get a new project staffed and underway, and underestimate the time and money required to complete a project.

Today, while on-demand solutions continue to gain momentum in the marketplace, some companies still make the mistake of quickly dismissing these offerings or failing to even consider this option. Sometimes this is due to outdated IT policies, questions about the potential savings associated with on-demand offerings, or concerns about IT job security.

On-demand solutions enable IT departments to focus on strategic rather than tactical efforts.

The benefits of on-demand are tough to ignore. In a recent study, TripleTree and the Software and Information Industry Association (SIAA) found that SaaS deployments are 50% to 90% faster, with a total cost of ownership five to ten times less expensive than installed software[5]. Companies that choose on-demand deployment reap the following benefits:

- Lower upfront costs – There is no big upfront application software investment, and no need to buy and install hardware, middleware, and databases.
- Lower ongoing maintenance costs – There is no infrastructure to maintain and scale, and less downtime.
- Faster time-to-value – Companies are generally up and running in a fraction of the time of on-site deployments.
- Instant, automatic updates – Companies always have immediate access to the latest product enhancements.

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[4] Information Technology and Economic Performance: A Critical Review of the Empirical Evidence, J.Dedrick, V. Gurbaxani, and K.L. Kraemer, ACM Computing Surveys, March 2003.

[5] Software as a Service: Changing the Paradigm in the Software Industry, SIIA and TripleTree, 2004.

Given these benefits, and the lack of IT bandwidth at most companies to focus on more strategic IT issues, companies should strongly consider on-demand offerings. Where companies' IT policies strictly forbid SaaS solutions, it's prudent to consider solutions that are offered both on-site and on-demand since this provides additional flexibility for the future.

Mistake # 4: The "Field of Dreams" Approach to Implementation and User Adoption

In the famous baseball movie Field of Dreams, Ray Kinsella hears a cryptic message: "Build it and he will come." Kinsella complies and goes about building a baseball field in his Iowa cornfield. Sure enough, Shoeless Joe Jackson and the Chicago Black Sox show up to play on his field.

This lone "build it first," approach may have worked like a charm for Kinsella. But when it comes to enterprise software projects, it's a better bet to listen to the people around you. It's important to seek the input of the ultimate end users not just at the beginning of a project, but throughout the implementation process as well.

Engaging end users throughout the implementation process helps ensure a high rate of adoption.

Unfortunately, many implementation teams only pay lip service to getting their users involved. Implementers may they feel their users' lack of experience with implementations means they have little value to provide. They may be worried that accepting feedback will slow down the process. Or, they may be concerned that hearing feedback will lead to "scope creep."

With this approach, companies often pay the price as:

- Systems end up with all the functionality promised, but implemented in such an impractical way that the system is too difficult to use.
- Users resist using the system, and low adoption rates lead to additional training costs and low morale.
- Expensive re-work is required to make the system useful.

An increasing number of companies have accepted that technology alone will not win the day with IT projects. Involving your employees from the beginning and keeping them consistently in the loop remains a major, if not the major hurdle to a broad and successful deployment.

Be sure to structure your implementation process to get your users involved and keep them involved throughout the implementation process. Their sense of ownership and feedback will be keys to your implementation's success.

Mistake #5: The Big Bang Theory of Implementation

While less commonplace than years ago, some companies still insist on taking a "Big Bang" approach to implementing enterprise software—grandiose multi-year, multi-million dollar implementation plans where companies have nothing to show for their investment until one, big solution is finally unleashed on end users. Unfortunately, the sad truth is that this implementation approach has an exceptionally high rate of failure.

Most successful IT projects start with the basics, achieve quick wins, and then roll out additional capabilities in phases.

Consider that, according to a 2007 article in MIT Sloan Management review the average company spends $15 million on Enterprise Resource Planning (ERP) software, and that 75% of ERP implementations were considered failures—implementations that either didn't work at all, didn't work as intended, or were of such little value that different business units went out and bought their own alternative systems.[6]

To improve the probability of a successful implementation, companies should embrace the 80/20 rule: meaning that you should start by shooting for an initial rollout that delivers 80% of the capabilities you're ultimately looking to implement (which many companies also find is available at 20% of the cost and 20% of the total project duration). Then move forward in implementing that last 20% of functionality.

Taking this approach will allow you to:

- Achieve early successes that will foster enthusiasm, as well as gain additional support and momentum for the project and for your team.
- Eliminate, or at least reduce, customizations that increase the level of risk and cost of the project.
- Correct any problems before moving forward with a more complex implementation.

To succeed, the trick is to master the basics, get the project up and running and showing value, then move forward.

[6] The Trouble with Enterprise Software, Cynthia Rettig, MIT Sloan Management Review, August 8, 2007.

Mistake #6: Failing to Gain and Maintain Executive Visibility and Commitment

Virtually every implementation methodology reflects the importance of gaining the commitment of an executive sponsor. This person is critical in providing project visibility across the organization, fostering executive commitment to the success of the project, and helping to overcome the inevitable bumps in the road during the implementation.

Although even novice project manager recognize the importance of an executive sponsor, year after year, the lack of a strong sponsor continues to be one of the primary reasons projects fail. Very often, projects start off on the right foot, with much fanfare and strong support among the executive ranks. After all, this support was needed to get a project funded in the first place.

Continually re-assess whether or not your project still has a high level of executive visibility and commitment.

However, many times the situation gradually changes. As time passes, a sponsor can lose interest or become preoccupied with other projects that demand more attention. In industries with more volatile management teams, sponsorship can be transferred from executive to executive and wind up with a less powerful, less interested, or less capable manager. Occasionally, the designated sponsor can even lose sight of the answers to the most obvious and basic questions about the project. This is a sure sign your project is likely be killed the first time budgets are reviewed.

All of these scenarios demonstrate why it's critical for project managers to stop periodically (at least monthly) and take an objective look at their projects and ask the following questions:

1. Does the executive still feel passionate about this project?
2. Has the communication between the sponsor and the project team remained at the same level as when the project started, or has it gradually deteriorated?
3. Is the value of this project still being actively communicated across the organization?

If there are doubts about the answers to any of the questions above, it's time to take immediate action. You need to either re- sell the merits of your project to your sponsor of find a new one that's willing and capable of picking up the role.

Mistake #7: Do-It-Yourself Development

Avoiding the 10 Most Common Mistakes in Selecting and Implementing e-Procurement Solutions While much less common than years ago, the “Build v. Buy” debate continues in a few companies. Rather than share the cost of developing a procurement system with thousands of other companies with similar needs, companies still consider devoting scarce IT resources to entering into the software development and support business.

Generally, companies consider the homegrown option in one of three situations: they’re recoiling from the sticker shock associated with packaged software, their requirements are so simple that buying any solution seems like overkill, or they believe their requirements are so unique that no existing solution can deliver.

The total cost of ownership of custom software is usually several times higher than packaged software.

In reality, subscription-based, on-demand solutions have largely eliminated software sticker shock. Companies with minimal requirements that take the time to talk with vendors often quickly recognize they’ve missed important features they hadn’t planned to build. And, many times companies come to realize their “unique” business processes that can’t easy be modeled in commercial software aren’t exactly industry best practices. That being said, companies considering the do-it-yourself approach should consider the total cost of ownership and risk associated such a project, especially in terms of the following:

- Quality – It’s nearly impossible to develop a custom solution as stable as one from an established vendor with multiple product releases and a dedicated QA team.
- Solution Depth – Homegrown solutions may appear to address the unique requirements of a business on the day they’re deployed, but these solutions are rarely able to meet the continually changing needs of a business, and they rarely have the feature depth of a commercial solution.
- Support – Few in-house teams have the bandwidth or budget to maintain a code base and provide the level of support provided by a commercial software vendor.
- Time to Value – Development of any kind is time intensive and expensive. On-demand or on-site commercial solutions will always begin providing value faster.

Companies should be exceptionally wary about allocating their limited IT resources to embark on custom development projects in an age where affordable, on-demand procurement solutions are readily available. Partnering with a vendor is almost always a safer, more cost-effective route.

Mistake #8: Modeling Paper-Based Processes in an Automated System

In the rush to bring new purchasing solutions online, companies often just take their existing manual or legacy processes and insist on modeling them identically in their new system. They often do this because they lack the resources and time required to figure out what would work best for their department.

This approach, however, makes little sense and defeats the purpose of automation.

For example, companies often don't bother to leverage punch-out functionality because it doesn't map neatly to their legacy process. Previously, they may have started their purchasing process with an employee doing research online, then writing an email or filling out a form saying what he wants, with as much detail as possible. An approver would then have to poke around a website to see what the employee wanted. After approval, the procurement department would again have to navigate through the same site to see the same thing and make the purchase. With punch-out, the employee shops for what he wants online and instantly creates a requisition. Everyone in the purchasing cycle can immediately see the same information—no re-keying, no navigating through a website, no wasted time and effort. Unfortunately, it's not uncommon for companies to forego punch-out functionality and instead insist on creating Web forms to mimic their original process.

A new system represents a window of opportunity to fundamentally improve your business. Seize this opportunity.

It's important to look at a new system as an opportunity to fundamentally improve a business and make it more efficient, more responsive, and more effective. When embarking on a new implementation, we strongly recommend that companies do the following:

1. Take the time to document your current processes. For many, this will be the first time they truly understand a company's complete purchasing process.
2. Actively solicit feedback from others in the process about how the process can be improved.
3. Be sure to share this information with your solution vendor. They know best practices and can share their experience and make recommendations—often at no cost.

Any new system, e-procurement or otherwise, represents a window of opportunity to improve your business. Be sure your company seizes this opportunity.

Mistake #9: Assuming All Users Are Created Equal

All users are not created equal.

In most organizations, there are a few "go to" people with more extensive experience and skill than the rest of their peers. These "influential users"—not necessarily the department elders—not only use the system more often than others, they often have earned greater respect among their coworkers.

Many companies make the mistake of rolling out solutions to everyone at the same time across groups of employees, regardless of skill level, instead of carefully crafting a rollout strategy. What's wrong with this picture? For starters, these influential users can help make your project succeed by bridging the gaps between those eager to adopt e-procurement and those with reservations about converting to a new technology. They can also act as trusted resource for others on their team. And, their enthusiasm and support for a system can be contagious.

Leverage your "influential users" to pave the way to a successful rollout.

Be sure to leverage these influential users in your implementation strategy by doing the following:

1. Make sure these influential users are part of your solution selection team. Aside from providing a valuable point of view, they're far more likely to be supportive of a system they helped select.

2. Be sure these users are given project updates and provided opportunities to provide feedback throughout the implementation process. You don't want to wait until the rollout phase to "sell" them on the system.

3. Bring these users online first. This will help to build momentum and excitement for the entire project across the organization. It will also help to prepare these users to serve as coaches and leaders for others.

4. Publicly designate your influential users as the "system experts" in each department and take the time to provide them with additional training if necessary. Potential problems can often be resolved through informal conversations among peers rather than snowballing into something bigger.

Ultimately, identifying and recruiting your influential users will pave the way to a smoother, more successful rollout. Don't hesitate to engage these users.

Mistake #10: Doing Nothing: Failing to Account for the Hidden Costs of Not Acting

Projects sometimes get put on the back burner. Unfortunately, this can be a fact of life where IT and procurement teams' workloads are overwhelming and budgets are constrained.

While it's easy to let the latest fire drill derail a new initiative, it's important to consider the hidden cost of "doing nothing" to address e-procurement challenges your company faces.

Failing to implement an e-procurement system can carry a high price. Companies typically reap a 5 to 20 percent savings on every dollar brought under the umbrella of e-procurement, according to the Aberdeen group.[7] Regardless of whether your company begins a new e-procurement initiative or not, your competitors aren't standing still.

There are real costs in doing nothing: cumbersome processes, low productivity, and lost savings.

According to the Hackett Group, organizations that squeeze the most from their e-procurement projects spend 25 percent less on total procurement activities than those who fail to act, and thereby generate over $23 million dollars in additional savings per billion spent.[8]

These statistics are a call to action to take a pragmatic look at the cost of not changing the way your company manages its processes in terms of higher employee productivity and smarter purchasing decisions. Taking action today can improve your operational controls, increase your efficiency, and generate real savings that go straight to your bottom line.

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[7] The E-Procurement Benchmark Report, The Aberdeen Group, October 2006.

[8] 2006 Enterprise Book of Numbers, The Hackett Group, 2006.