Measuring the Benefits:
What to measure and how to measure it

A BuyIT e-Procurement Guideline
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Measuring the Benefits of e-Procurement
A BuyIT e-Procurement Guideline

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Executive Summary

**Why measure**

- That there is potential for savings to be made from e-Procurement is beyond dispute. The BuyIT e-Procurement Guideline: *Building the business case* defines the costs and benefits and provides guidance as to how to create a compelling business case for e-Procurement in an organisation.
- The business case for e-Procurement is based on being able to achieve year-on-year reductions in purchase prices and savings from lower process costs. In order to calculate these recurring benefits, key savings drivers need to be identified and measured against.
- The business case is, however, only the start of the journey, an estimation of potential for savings vs. the costs to be incurred in their realisation. It is the continuous measurement of the effectiveness of the key performance measures that is vital to the successful management and delivery of benefits realisation.
- Measurement drives behaviour and will be a key element in making the programme successful, requiring as it does that consistency, discipline and accuracy be applied in order for the results to be meaningful.
- Measurement is just as relevant to projects that are already underway - it is never too late to start measuring to gain better insight as to interventions that will enhance e-Procurement performance.

**What to measure**

- The five main savings drivers for e-Procurement are shown below. Note that they are interdependent, as illustrated:
The principal metrics that will demonstrate a return on investment in e-Procurement are the **hard** (directly measurable) benefits, eg: price savings and process cost reduction (head count).

**Soft** (indirectly measurable) benefits, eg: individual time freed up through more efficient processes, also provide important indicators of progress towards improvement in a measure that is beneficial and should not be ignored just because they are subjective or difficult to track.

Additionally there are a number of **intangible** benefits eg: cultural change, that cannot be measured within the business case but may support it.

In order to identify e-Procurement cost savings as distinct from those achieved through other procurement best practice, the measurement system needs to discriminate between ‘business as usual’ type savings and those directly attributable to the implementation of the e-Procurement system.

**How to measure**

- The BuyIT guideline identifies for each driver:
  - Aim
  - Baseline
  - Hard Benefits
  - Soft Benefits
  - Process
  - Measures of Benefit
  - Frequency of Measures
  - Risks

**Key steps to achieve results**

- Define KPI’s early in the process. This will enable successful benefits tracking – what gets measured gets done! The business case should be distilled into measurable KPI’s which should be monitored throughout the project.
- Don’t forget ‘soft’ benefits; make a conscious decision as to whether you want to measure them
- Agree on the measurement process
- Agree on the measurement baseline
- Get sponsors buy-in and sign-off
- Visibly measure and visibly report
- Appoint a 3rd party (or an externally audited person if from within the organisation) to track and monitor the progress of the e-Procurement project. This will ensure that realisation of benefits is enforced and that the business and project enablers for change are delivered.
1. This guideline

Since 1998 many claims and predictions have been made for ROI’s achievable through e-Procurement projects. By mid 2000 these had reached ‘between 200% – 400%’. A year later a random survey of purchasing managers using a consistent assessment model indicated a potential average ROI of 8% from implementation of e-Procurement best practice across a range of organisations. What is missing from all these estimates is a sound basis of factual measurement.

Today, as the first generation of e-Procurement projects should be starting to deliver measurable savings, the picture as to the real extent and value of these savings is still unclear. One explanation for this is that whilst project progress has been measured in terms of milestone achievement, relatively few organisations are accurately monitoring the real benefits achieved as the projects progress.

This guideline draws on the experience of BuyIT members and other early adopters to define those benefits and processes for measuring them.

No guideline can lay down detailed guidance in an area so heavily dependent on each company’s starting point, structure, culture and expectations. What this guideline seeks to do is make the case for measurement, identify some principles and suggest key performance indicators – what to measure - and monitoring processes - how to measure it. (A section at the end of the guideline also suggests a scorecard approach to monitoring the progress of the e-Procurement programme and a template that can be used for benchmarking.)

One of the great challenges of measuring the ROI is to identify exactly what benefits the e-Procurement tool brings to the organisation. Many of these benefits are traditionally seen as ‘soft’ benefits. This guideline addresses methods of measurement to make them tangible.

2. Why measure

That there is potential for savings to be made from e-Procurement is beyond dispute. The BuyIT e-Procurement Guideline: Building the business case defines the costs and benefits and provides guidance as to how to create a compelling business case for e-Procurement in an organisation. The business case is, however, only the start of the journey, an estimation of potential for savings vs. the costs to be incurred in their realisation.

It is the continuous measurement of the effectiveness of the key performance measures that is vital to the successful management and delivery of benefits realisation. Thus measurement, especially in difficult trading conditions, is likely to be a pre-requisite for project approval and, both for promoters and participants, the only way to demonstrate success and identify problems early enough to manage them effectively. e-Procurement implementation is after all a significant change management programme for any organisation and its suppliers.

Measurement drives behaviour and is likely to be a key element in making the programme successful, requiring as it does that consistency, discipline and accuracy be applied in order for the results to be meaningful.
There is another important aspect to the commencement of measurement, in that it is also the beginning of a learning process as to the extent and complexity of an organisation’s purchasing. It provides new and reliable input into sourcing negotiations and presents an accurate picture of procurement as a basis for improved management, whatever the organisations starting point. Measurement is just as relevant to projects that are already underway and that it is never too late to start measuring to gain better insight as to interventions that will enhance e-Procurement performance.

3. What to measure

The business case for e-Procurement is based on being able to achieve year-on-year reductions in purchase prices and savings from lower process costs. In order to calculate these recurring benefits, key savings drivers need to be identified and measured against. These drivers should then be applied against spend in each spend category identified as applicable for e-Procurement. The main savings drivers for e-Procurement are:

<table>
<thead>
<tr>
<th>Savings from lower process costs &amp; Reductions in purchase prices</th>
<th>Transactional benefits</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>• Automated purchase to pay process</td>
</tr>
<tr>
<td></td>
<td>• Automated P-card process</td>
</tr>
<tr>
<td>Payment benefits</td>
<td>• Electronic payment of invoices</td>
</tr>
<tr>
<td></td>
<td>• Increased 1st time invoice match</td>
</tr>
<tr>
<td>Compliance benefits</td>
<td></td>
</tr>
<tr>
<td>Management information benefits</td>
<td></td>
</tr>
<tr>
<td>Price benefits</td>
<td></td>
</tr>
</tbody>
</table>

These benefit drivers are interdependent, each enabling the others’ delivery, as illustrated overleaf.

NB This guideline does not deal with the measurement of e-collaboration benefits. This is a significant topic in itself and will be dealt with in a future BuyIT paper.
Interdependency of savings drivers

The interaction between the savings drivers is an important one to recognise since it implies that the achievement of tangible benefit in the form of price improvement is reinforced at each successive negotiation by the improving interaction of the drivers.

The result is that e-Procurement enhances subsequent negotiations with a supplier by yielding increases in business, and efficiencies in the transacting of that business, which the e-procurer has a right to expect to have reflected in keener pricing. The importance of measurement is well illustrated here since all the other drivers can be working but it is measurement that provides the proof and extent of the value created for both parties.

3.1. Types and Classification of Benefits

3.1.1. Hard, soft and intangible benefits

A business case necessarily, in its derivation of the incremental effect and timing of cashflows arising from an e-Procurement implementation, focuses on the hard (directly measurable) benefits that are required to deliver enhanced shareholder value and thus gain Board approval, eg: price savings and head count reduction. This provides a good discipline within which to manage the progression of the project and to ensure that the early investments in IT, and the change management programme required, yield some early gains and a satisfactory overall return.

A second category of benefits: Soft or ‘Indirect’ benefits, are still worthy of measurement since although their direct effect on cashflow is difficult to quantify accurately (e.g.: individual time freed up through more efficient processes), it may well be that they are indicative of progress towards improvement in a measure that is beneficial. For this reason following approval of the business case, measurement of both the direct (hard) and
indirect (soft) benefits is important when demonstrating the progress and success of the implementation of an e-Procurement system.

We recognise a third category of benefit: **Intangibles**, which are beneficial but are not directly measurable in financial terms (e.g.: cultural change). These lie outside any ROI calculation although they may be a strong additional argument for moving forward. It is important not to misclassify ‘soft’ but measurable benefits as Intangible, just because measurement may be more difficult.

The BuyIT e-Procurement Guideline: *Building the Business Case* identifies the following intangible benefits:

- **Cultural change**: recognition of strategic sourcing as longer-term market differentiator; end-user attitude shift and ease of implementing world-class internal processes
- **e-Platform**: e-Procurement as a step towards value-adding global structures such as shared service centres
- **Financial approvals for all spend**: ability to ensure that all spend meets company standards
- **High visibility of supplier performance**: ‘live’ feedback from end-user to account managers and buyers

### 3.1.2. e-Procurement benefits vs. business as usual benefits

It is also important not to ‘double count’ benefits which are achievable through other means such as the centralisation of procurement around an ERP system. These will have been taken into the business case and ROI calculations upon which that decision to proceed with the ERP system was taken.

In order to identify e-Procurement cost savings as distinct from those achieved through other procurement best practice, the measurement system should be geared to discriminate between ‘business as usual’ type savings and those directly attributable to the implementation of the e-Procurement system – see diagram.

Good strategic sourcing for example will facilitate the realisation of e-Procurement benefit by ensuring that sound commercial arrangements are in place for use by e-Procurement.

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**Contributors to Procurement Saving**

![Diagram showing contributors to procurement saving]

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**e-Procurement Benefits vs. Business As Usual Benefits**

The corollary of this approach is that the e-Procurement project should not have to shoulder the burden of the cost of an ERP system with which it will almost certainly co-exist via interfaces but which is not required to practise effective e-Procurement.
3.2. Definition of benefits

3.2.1. Transactional benefits

e-Procurement enables the purchase to pay process online. A typical example of the electronic processing of the requisition to payment cycle uses a web based transacting tool whereby items are selected predominantly from pre-sourced catalogues and submitted for electronic approval. This tool is then linked to the back end ERP system for entry, payment of invoices and collation of management information.

Automating the purchase to pay process (including automation of P-card purchasing) leads to greater time savings and efficiency due to:

- global, automated processes incorporating best practice and eliminating unnecessary activities
- e-enabled relationship with supplier speeds procurement cycle times and facilitates supplier performance improvements
- greater data accuracy minimises ordering inaccuracies and provides the essential foundation for better management through measurement and analysis.

3.2.2. Compliance benefits

In addition to the role of compliance as the key to better management information and price negotiation benefits, (see below), adherence to pre-negotiated supplier agreements and a reduction in maverick spend will in itself reduce price, i.e. it is assumed that spend which occurs outside of the defined procurement process is more expensive in terms of company wide costs than negotiated company wide contracts.

Compliance will be achieved due to:

- a simple and quick requisition to payment process e.g. user friendly interface, pre-sourced catalogues tailored to the requirements of the individual user
- a simple and quick strategic sourcing process e.g. standard procurement processes and tools, easily accessible information.
- the e-Procurement system is the only purchasing mechanism available

In many cases within an organisation, compliance and maverick spend is a significant issue, not because employees deliberately purchase outside of preferred arrangements, but rather through lack of awareness that a preferred arrangement is in place. e-Procurement addresses this issue through tools such as catalogues and standard order processing and approval processes.

3.2.3. Management Information benefits

The fact that key information (cost centre, commodity codes etc) is hard coded against the user dramatically reduces coding errors and and provides highly detailed and easily accessible data. This is essential to maximise the financial benefits of strategic sourcing. A Successful e-Procurement implementation will provide high quality detailed management information and will negate the need for Data Warehousing or resource-heavy data mining.

3.2.4. Price benefits

The ability to prove to your suppliers that you are using e-Procurement as a tool to ensure end users do honour their preferred contract status will enhance ability to negotiate down prices through:

- greatly enhanced capture and therefore reliability of spend information
increased confidence that spend volumes can be guaranteed from increased compliance with the system thus allowing volume price breaks and discounts to be achieved.

3.2.5. Payment benefits

The successful operation of the first four benefits enables electronic payment of invoices and increased 1st time invoice match.

This includes the ability for the Accounts Payable/Finance department to better control business cashflow and manage the efficient payment of suppliers due to more streamlined procurement processes providing more timely and accurate information to the Accounts Payable department. Potential benefits include reduced manpower (a ‘hard’ benefit only if improvements lead to headcount reduction) and reduced spend on postage and stationery.

During negotiations the procurement manager can more credibly guarantee the supplier a level of prompt payment (e.g. 95% on terms), which was not possible prior to e-Procurement. A better price can be negotiated as a result.

The benefits of e-invoicing are often under-assessed or ignored.

3.3. e-Procurement applicable spend

When estimating benefits for a business case to be derived from the implementation of e-Procurement, it is important to recognise that not all the spend of the organisation is addressable by e-Procurement processes, either via e-Transacting or e-Sourcing.

Opportunities to incorporate non-addressable spending in the system are still worth pursuing to the extent that the payment and management information benefits are still likely to be applicable within the scope of strategic sourcing.

3.3.1. Cataloguable

Some products by their nature (e.g. bespoke, one-off items), would not be usefully cataloguable or transactable such as utilities. This does not mean that the spend cannot be captured within the application as it is possible to configure the e-Procurement tool so that it captures all spend. Such a configuration will greatly enhance the quality of management information and support an effective strategic sourcing strategy.

3.3.2. Long term arrangements

In other cases, the company may be locked into certain long-term agreements so no e-Sourcing activities such as e-Auctions could be conducted. Further, certain categories of spend may involve a lack of competition between suppliers e.g. duopoly, and hence an e-Auctioning capability would not be applicable.

3.3.3. Constraints

Other key corporate interdependencies should also be noted, for example the rollout of any technical IT programmes such as ERP. Global LAN and desktop capabilities likely to affect IT delivery must also be noted and factored into the business case assessment, as speed of rollout is key to the speed at which benefits may be realised.
These factors may have a significant impact on the amount of company spend which could be e-Enabled, and hence the benefits which could be derived from e-Procurement.

4. How to measure benefits – the process

Once the key savings drivers have been identified and the scope of applicable procurement spend agreed, a measurement process needs to be established to extract key measurement metrics. This should include:

- The aim of tracking the benefit or driver;
- The establishment of a baseline from which to track the driver or benefit;
- The tangible (hard and soft) impacts of each driver;
- The process by which the data may be extracted;
- The frequency at which these measures should be undertaken; and
- Any risks associated with the measure should be taken into account.

The following pages define the process for each of the five tangible benefit metrics under the following headings:

- Aim
- Baseline
- Hard Benefits
- Soft Benefits
- Process
- Measures of Benefit
- Frequency of Measures
- Risks

4.2. Transactional benefits

**Aim:** To measure the transactional benefits derived from the implementation of an e-Procurement system.

**Baseline:** A ‘Time and Motion’ study may be conducted within the business to determine existing process activity times.

**Soft Benefits:** Time savings from e-Transacting do not necessarily lead to a head count reduction, but rather, represent an improvement in efficiency. Time spent in the Procurement department on transactional and administrative activities, such as entering Purchase Orders and answering business user queries about Purchase Order status under e-Procurement is transferred from the Procurement department to the end user who is able to address those activities themselves in a quick and easy fashion. Therefore opportunities are created for spending the time saved on more value adding work.

In addition, benefits may be derived from accounting staff following the correct accounting procedures and complying with the business initiatives e.g. not raising and invoice prior to the raising of a purchase order.

**Hard Benefits:** A reduction in processing time and increased efficiency will only equate to true financial benefits if there are actual headcount reductions.

**Process:** Extracting key timing statistics from the e-Procurement and accounting systems
Measures of Benefit:
- Reduced Requisition to PO time – demonstrates e-Procurement is leading to reduction in cycle times
- Average time in days to approve purchase order from initial submission to final approval – approval time is a significant cycle time reduction metric and may be indicative of process savings being achieved
- Average number of approvers required for each purchase order, from initial submission to final approval – number of approvers is a significant cycle time and cost reduction metric.
- Reduced invoice to payment time – demonstrates e-Procurement is leading to reduction in cycle times
- Reduced number of unsupported invoices being raised – demonstrates e-Procurement is increasing compliance to the correct accounting processes
- Headcount reductions – one off benefit of e-Procurement implementation.

Frequency of Measures: Once the e-Procurement process has been implemented, these measures should be reported monthly. An improvement in these metrics should be seen over time as the e-Procurement system becomes fully deployed and accepted throughout the organisation.

Risks:
- If employees’ time is freed up, there may be a requirement to re-skill or retrain

4.4. Compliance benefits

Aim: To identify savings achieved through improved compliance brought about by e-Procurement. i.e. reduction in maverick spend

Baseline: estimated levels of maverick spend prior to implementing the e-Procurement system.

Hard Benefits: Reduction in maverick spend due to e-Procurement will lead to more volume going through negotiated contracts, particularly for those categories which have catalogueable spend. These improved volumes should translate to better pricing from suppliers by way of discounts, hence the impact will be recorded as part of the price driver.

Soft Benefits: The cost avoidance element of employees not using alternative suppliers at higher prices should be considered.

Process: If the e-Procurement system is already in place and achieving a sufficient throughput of transactions, it is desirable to capture the amount of maverick spend occurring after the e-Procurement system has been rolled out and compare it to the level of maverick spend prior to implementation.

It should be noted that maverick spend levels may differ greatly across different categories of spend – indirect good may typically have a maverick spend amount of around 15-20% whilst direct goods would have a lower level of maverick spend of up to 5%.

If the organisation has an accounting system in place such as SAP, it is possible to set up reports to capture spend through suppliers which are not preferred. These may then be interrogated key metrics can be extracted.

Measures of Benefit:
- Reduced maverick spend % for those categories subject to e-Procurement.
Frequency of Measures: Once the e-Procurement process has been implemented, these measures should be reported monthly. An improvement in these metrics should be seen over time as the e-Procurement system becomes fully deployed and accepted throughout the organisation.

Risks:
- If the baseline maverick spend is based on estimates, it may be inaccurate.
- The e-Procurement rollout may coincide with the roll out of other initiatives such as ERP which might also increase compliance. Therefore, increased compliance may not only be attributable to e-Procurement implementation.

Management Information benefits

Aim: To capture management information benefits that occur as a result of having the Procurement Scorecard, Spend Analysis and other e-Intelligence tools available.

Baseline: Management information, customer satisfaction and vendor satisfaction levels prior to implementation of e-Procurement

Hard Benefits: It would be possible to equate a financial value where the quality of the e-procurement data was to be used in place of investment in tools such as a data warehouse or removing data mining resources.

Soft Benefits: Improved information and workflow will allow procurement managers to focus on strategic value-add activities. It will also strengthen their bargaining power with suppliers, lead to a greater understanding of the market and its dynamics.

Process: A tool is required to capture benefits gained through using e-Intelligence. This might be a questionnaire relating to the improved levels of management information. The replies given by the procurement professional about their experience can then be scored and weighted, giving a metric to track.

In addition, surveys and questionnaires of the Procurement department customers and suppliers should be conducted to gain feedback on their level of satisfactions with the Procurement department services.

Measures of Benefit:
- Improvement in Management Information Questionnaire
- Improvement in Internal Customer Questionnaire
- Improvement in Supplier Questionnaire
- Price improvements

Frequency: Procurement managers should be asked to complete a questionnaire periodically when they use the tools as part of the Procurement process.

Risks:
- Subjective
4.6. **e-Procurement price benefits**

**Aim:** To capture any price reductions given by suppliers in contract negotiations as a direct result of the supplier and the business benefiting from e-Procurement.

**Baseline:** Pricing offered prior to implementation of e-Procurement

**Hard Benefits:** Reduced pricing

**Soft benefits:** n/a

**Process:** During negotiations for a product or service to be made available through e-Procurement, the sourcing manager should be able to guarantee a certain percentage of purchase volume which was not previously available due to the increased compliance through the tool. A better price should be negotiated as a result of this. In addition, prompt payment can also be used as leverage in negotiations.

**Measure of Benefit:**
- Total £’s saved x estimated % attributed to volume guarantee. This should be prorated over the length of the contract.
- Total £ saved x estimated reduction in price due to e-Procurement tools and processes e.g. e-Auctions, prompt payment.

**Frequency of Measures:** Whenever guaranteed volumes or prompt payment can be used as a leverage in supplier negotiations.

**Risks:**
- Subjective
- Difficult to separate out the precise £ value attributable solely to the e-Procurement pricing driver vs. other drivers and benefits.
4.7. Payment benefits

**Aim:** To capture any price reductions given by suppliers in contract negotiations as a direct result of the supplier benefiting from e-Procurement and receiving prompt payment of their accounts.

**Hard Benefits:** The electronic processing of invoices will lead to a significant reduction in spend on postage and stationery. Increased 1st time invoice matching will reduce the need for resource currently dealing with non processable invoices. Additionally, prompt payment should lead to better pricing negotiations with suppliers.

**Soft Benefits:** Ability for the Accounts Payable/Finance departments to choose when to pay suppliers (early, on time or late) due to more efficient procurement processes being passed down to the Accounts Payable department e.g. less price/quantity invoice to Purchase Order mismatches, less invoices received without a Purchase Order (with e-Procurement, Purchase Orders are automatically generated on approval of a requisition).

**Baseline:** Pricing offered prior to implementation of e-Procurement. Payment terms prior to the implementation of e-Procurement.

**Process:** During negotiations the procurement manager can guarantee the supplier a level of prompt payment (e.g. 95% on terms) which was not possible prior to e-Procurement. A better price can be negotiated as a result. Payment terms should be captured and reported per supplier and on average for the organisation.

**Measures of Benefit:**
- The procurement manager estimates and justifies the % of the negotiated saving attributable to the guarantee of prompt payment.
- Decrease in debtor days per supplier
- Decrease in number of price/quantity and goods receipt notes mismatches from invoice to purchase order

**Frequency of Measures:** Monthly upon implementation of the e-Procurement system.

**Risks:**
- Subjective
- Difficult to separate out the precise £ value attributable solely to the e-Procurement pricing driver vs. other drivers and benefits.
5. How to measure benefits – the tools

Although it is relatively easy for Procurement Managers to make estimates of potential benefits against each driver, it is much more difficult to actually measure the benefits to the same level of granularity.

During the realisation of benefits for e-Procurement, benefits are only seen as the end cost saved – the contributory factors or drivers are merged into the total saving, some of which is not e-Procurement related (e.g. negotiating skills, strategic sourcing process etc.). As mentioned above, it is important to separate the pure “e” savings, even if the methods of measurement may be subjective.

5.1. Benefits realisation forms & database

In order to record and monitor centrally the savings that are generated through e-Procurement, a savings capturing process must be established. For example, at the end of each sourcing activity, the Sourcing Manager who records savings achieved could complete a form. A portion of these savings may be attributed to business as usual activities e.g. negotiations and another portion of these savings are attributable to the e-Procurement process e.g. use of e-Auctions, increased volumes through compliance and reduction in maverick spend.

This information should be collected, validated and recorded centrally in a database, and reported on a periodical basis. There needs to be clear guidance as to how these savings will be accrued to the business, i.e. will they be taken off bottom lines for departments, will they be reallocated to other areas of spend? There is a risk that if they are just recorded they never actually materialise into real tangible financial benefits. A sample benefits realisation form is attached at Appendix A.

5.2. Spend analysis

A spend analysis tool allows users to “slice and dice spend” data to deliver meaningful information. Traditionally such data has been derived from information within the ERP or A/P functions. The quality of data inherent in the e-Procurement transactions will allow procurement professional to access this data directly via a self service portal.

5.3. e-Intelligence

E-Intelligence is a collective term for sources of information that are made available to assist Procurement professionals with finding required information.

E-Intelligence will incorporate:

- Supplier intelligence
- News feeds
- Contract database
- Vendor surveys
- Customer satisfaction surveys
- Transactional data e.g. number of returns

The diagram overleaf illustrates how each of these tools could potentially fit into the sourcing process.
How the tools fit into the sourcing process

- **Process and Project Repository**
- **Contract Management**
- **Category Management Listing**
- **Spend Analysis Tool - Tactical**
- **Supplier Intelligence - Newsfeeds and Analysis**
- **Procurement Scorecard**
- **Benefits Realisation**
6. Benefits monitoring – a suggested approach

The e-Procurement implementation will be declared a success when the following conditions have been satisfied:

- the project has delivered on time and within budget
- business benefits have been realised.

Key steps to achieve these results include:

- Defining KPI’s early in the process will enable successful benefits tracking – what gets measured gets done! The business case should be distilled into measurable KPI’s which should be monitored throughout the project.
- Don’t forget ‘soft’ factors; make a conscious decision as to whether you want to measure them
- Agree on the measurement process
- Agree on the measurement baseline
- Get sponsors buy-in and sign-off
- Visibly measure and visibly report.

A 3rd party (or an externally audited person if from within the organisation) should be tasked to track and monitor the progress of the e-Procurement project. This person should:

- drive and enforce the realisation of benefits
- ensure benefits are measured accurately
- ensure that the business and project enablers for change are delivered e.g. a simple, user friendly system is delivered (project enabler), users are appropriately disciplined for not complying with governance rules (business enabler).
- Continue monitoring against business case and submit variations to the vary the business case if required e.g. if there is a significant change in any of the underlying assumptions such as spend levels
- Report progress regularly via scorecards.

The model illustrated overleaf may be utilised for tracking and monitoring savings.
A Benefits Realisation Tracking and Monitoring Process

Benefits Realisation measurement

- Baseline price
- Sourcing process
- Calculate benefit
- Agreed sign off
- Reporting & monitoring

Procurement Internal Customer Finance

- Provide BR guidelines for recording and reporting savings
- Participate in quality verifications of BR process i.e. Internal audit, external QA etc
- Collect and assimilate savings information
- Review savings submissions and accompanying verification
- Ensure all savings have the appropriate sign off
- Initiate Escalation Process to Procurement Management where necessary
- Track savings and spend against published business cases and targets
- Record savings in BR database
- Produce monthly MOR reports for the PLT
- Communicate Reports/ Scorecard results as necessary (could be outsourced)
- Report and track maverick spend and actual spend volumes

This process ensures key stakeholders such as the internal customer, finance and internal audit are involved throughout the benefits tracking process, thus enhancing the credibility of the metrics and savings reported.
7. Measuring programme implementation performance

This guideline is primarily focused on measurement of benefits from e-Procurement. However, in practice the Board will want to see a wider set of metrics to show that their investment is paying back. This section deals with measuring the performance of the e-Procurement implementation.

7.1. Scorecards

An e-Procurement Scorecard can be used to track and report the performance of the e-Procurement implementation. Fields on the scorecard may include:

- E-Procurement transactions to date
- Savings recorded to date
- Costs to date
- Suppliers adopted to date
- No. of end users
- Improvement in payment terms with key suppliers
- Improvement in accounting processes over time
- e-tool usage (for e-auctions and e-tenders).

A supplier scorecard may also be used to reflect the performance of an organisation’s key suppliers. Fields may include:

- Financial spend details with each supplier
- e-Transactions to date
- Supplier performance in terms of quality of goods, service, logistics ability etc.
- Payment terms

All scorecards should following these principles:

- Be clear on what you are measuring and why
- Link KPI’s to the major benefits you expect e-Procurement to bring
- Keep them simple and tightly defined
- Keep them to the minimum necessary
- Make sure they can be measured easily.

Appendix B contains a sample weekly scorecard designed to communicate clearly the current performance of the e-Procurement function.

7.2. Benchmarking

Because each e-Procurement programme will be focused on the organisation’s specific needs, it is difficult to compare programmes and to establish benchmarks for scope and achievement of results. The BuyIT e-Procurement Experience-Sharing Group have developed a template which enables a level of cross-comparison and which is being used within the Group to fuel debate and exchange of ideas. The template – an extract of which is shown at Appendix C - also allows members to track the programmes over time.