

E-Procurement: Not Your Ordinary Online Shopping Experience

Electronic procurement, or e-procurement, is one of the most exciting technologies to hit the district business office in recent years—but its benefits are being increasingly extended to the teacher’s desktop as well. Teachers and administrators alike are interested in the concept of e-procurement and are asking how it can help their districts.

Simply put, e-procurement is the automation of business rules for sourcing and purchasing. Typically performed by the business office or educational service agency, sourcing involves establishing contracts and pricing through sealed bids and requests for quotation, and for more complex procurements, through requests for proposal or requests for information.

Performed at all levels of the organization, purchasing involves selecting a vendor and product, requisitioning, routing for approval, issuing a purchase order, and receiving goods or services. E-procurement automates these processes and brings them to the user’s desktop in an easy-to-use electronic format.

History of E-Procurement

Before 2000, the promise of the Internet far exceeded its actual capabilities. This was certainly true of e-procurement.

In 1999 and 2000, a number of companies tried to solve the fundamental problem of the administrative bureaucracy that was entrenched in the K–12 procurement process.



By Harry Goldberg

A Day in the Life . . .

I want an instructional game for my fifth-grade class. Everything I need to find, order, and receive this game is on my computer. Whether I'm at school, at home, or on the road, all I need is a Web browser and Internet access. That's it. Every time I log in, I'm on the latest version of my district's e-procurement software, so there's no software to download or update.

I log into my e-procurement solution and click on the purchasing module. All the instructional material vendors that are authorized to do business with my district are presented to me. I choose one that sells the game I want and I'm instantly taken to the company's Web site. I use the vendor's search tool; I look at pictures and descriptions of the game; I see the on-hand inventory and view delivery lead times. I see my district's pricing. If I submit this order before 4:00 p.m., I can have it by 11:00 a.m. tomorrow.

I select the game, using familiar Web shopping to build my cart. But when I finish shopping on the vendor's Web site, my cart is automatically transmitted to the e-procurement system. There, I finish my requisition with a few clicks. I can even pay with a purchasing card.

I've now sent the requisition on its approval path using built-in work flow. First, my department chair receives it for approval. Next, it goes to my principal and then to the district business office. I know all this because I can track the progress of my requisition through the process using my e-procurement system.

Along the way, my purchase is captured by the district's financial system with all the appropriate accounting information. A purchase order is issued and transmitted directly to the vendor. I make the 4:00 p.m. cutoff and, sure enough, the package is dropped on my desk just after 11:00 a.m. the next day. I log into the e-procurement system one more time to indicate that I received the game I ordered. Just after lunch, my fifth graders are actually learning and enjoying at the same time!

In doing so, more than \$500 million in venture capital was invested in new companies to pursue various business models.

Let's just say that vendors were skeptical of this funding model. Most of those e-procurement solution providers are no longer with us. The sustainable business model has proved to be the traditional software model, structured, licensed, and financed like any other software purchase. The challenge and the key to success for the surviving e-procurement solution providers have been the ability to unite the general ledger companies and the vendors (both local and national) with the appropriate school district staff. We know from experience that the race to do so is a marathon, not a sprint.

Today's Web-based procurement solutions can be found in districts of all sizes. Modern e-procurement systems can

benefit a school district of 1,000 students as much as they can a district of 100,000 students. Why? Because those districts generally buy the same items, from instructional materials to classroom supplies, just in different quantities.

To understand e-procurement's appeal to districts of all sizes, let's consider the benefits of electronic procurement solutions for administrators and teachers. E-procurement solutions bring a unified approach to the fragmented procurement practices of the school district. This organization allows K-12 vendors to truly earn all a district's business with an easy-to-use tool to ensure that the negotiated contract is both honored and used for district orders.

Among those benefits are savings of time, paper, forms, postage, and printing; a significant reduction in errors; compliance with business rules and conformance to federal, state, and local regulations; and improved governance and visibility into organizational spending. But the number one benefit of e-procurement is the traditional relationship between buyers and sellers. Districts save real money when their requisitioners purchase through district contracts using a consistent process, and vendors make real money when they have consistent, accurate business from loyal customers.

How Does It Work in Practice?

Take the case of Laurel County Public Schools, a 9,000-student district in London, Kentucky. Like teachers everywhere, those at Laurel County Public Schools would search the Web and thumb through catalogs to find the products and materials they needed to do their primary job: teach the district's children. Every day, teachers in 15 schools would handwrite their orders and send them to their bookkeeper for data entry. Only at that point would order data be entered electronically.

But that was then. Now, with help from e-procurement solutions, teachers at Laurel County Public Schools log into their Web-based e-procurement system and search Laurel County vendors online to find the products and materials they need. Requisitions flow electronically according to Laurel County Public Schools' business rules. Integration with Laurel County's financial system ensures that funds are accounted for properly. The process is paperless.

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The bookkeepers "do multiple jobs at their schools," according to Amy Smith, director of accounting at Laurel County Schools. "They are the nurse, the greeter, and the

office manager.” Making their lives more effective and efficient was a major goal for Smith and the implementation team at Laurel County. “We needed to eliminate the paper and eliminate the redundant data entry.”

The results for Laurel County have been impressive. The district processes more than 2,500 purchase requisitions a quarter. Each requisition is processed electronically from start to finish. The district has seen cost and time savings for everyone involved.

I’m Already Doing It

If you think you are already using e-procurement when you order from vendor Web sites, you really aren’t. Let’s say you wanted to order instructional materials for a class-

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room. A recent Internet search on the term “instructional materials” yielded more than two million Websites. OK, you can refine the search. You can click on one of the sponsored links. You can search, select, order, and pay online. But you and your district are not benefiting from e-procurement solutions and processes.

Although ordering directly from vendor Websites is a form of e-procurement, you can realize the full benefits of e-procurement only if that experience is integrated with your general ledger system, your selected vendors, and your business processes. That way, you eliminate the need for multiple log-ins, centralize the management of account codes for purchases, and control your district’s spending across all vendors.

Making Buying Easy

Here’s an alternate method for ordering instructional materials—or any item that teachers and administrators may need to do their jobs—that encompasses e-procurement solutions and processes.

1. Create a Purchase Requisition

Requisitioners search the district’s online catalogs, viewing district-authorized vendors and pricing. Punch-out capabilities allow them to visit a participating vendor’s Website under the control of your e-procurement solution with no additional log-in.

Items selected at a vendor’s Website are returned to the e-procurement solution to populate a requisition screen. Keyword or vendor catalog search capabilities built into e-procurement solutions return only those items requested by the requisitioner. Time is spent buying the specific goods and services required, not wasted

surfing the Web. Integration with the general ledger system allows a preencumbrance transaction to alert those in the approval chain that budget dollars are available for this purchase.

2. Route for Approval

Requisitions are routed, with e-mail notification, according to the district’s predetermined business rules. Requisitions are approved, modified, or rejected online by managers in the approval path. At every step, requisitioners know exactly what’s happening with their orders. Integration with the general ledger system transmits any change to account codes, quantity, or items that may occur during the approval process.

3. Generate a Purchase Order

Purchase orders are created electronically from approved requisitions. Authorized purchase orders are communicated to the vendor using the vendor’s specified method: mail, e-mail, fax, or cXML, a secure industry Web transaction standard that transmits the purchase order directly to the vendor’s order entry system. Integration with the district’s general ledger system sends an encumbrance transaction to the appropriate budgets and receives the next purchase order number from the general ledger. Reports are available at every step in the purchasing process.

4. Receive the Purchase

Vendors like to get paid for their goods and services! That sounds simpler than it is. To pay a vendor, districts typically need three items: the purchase order, the vendor’s invoice, and some internal indication that the purchase was actually received. The process is called a “three-way match” and when everything corresponds, a check is issued to the vendor.

The purchase order is easy because it’s already in the system. The invoice comes from the vendor, so the vendor has incentive to make it accurate. It’s the receipt that’s the problem—the indication that the goods and services were received as ordered. With e-procurement solutions, receiving can be done anywhere in the organization: at the loading dock, in the business office, and even at the teacher’s desktop. With general ledger integration, information about receipt of the product is also transmitted and available for accounts payable.

The Business of Education

The business of teaching is to educate our children. Anything that makes a teacher’s job easier allows more focus on the kids. And anything that saves money in the process returns those dollars to underfunded programs. Today’s e-procurement solutions can accomplish both goals of saving time and saving money. ■

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