Tasmanian Government Electronic Procurement Pilot Project

Project Review & Closure Report

Inter Agency Policy & Projects Unit
DEPARTMENT OF PREMIER AND CABINET

Version 1.0 (14 July 2003)

(PM 936 Version 1.0 8 February 2002)
DOCUMENT RELEASE NOTICE

This is version 1.0 of the Project Review & Closure Report for the Tasmanian Government Electronic Procurement Pilot Project.

The Project Review & Closure Report includes:

- An assessment of the performance of the project in relation to the attainment of objectives, achievement of outcomes, delivery of outputs, project schedule and project budget.
- A summary of the lessons learnt which were obtained by an independent survey of key stakeholders.
- Important information to inform the Project Steering Committee in their decision to formally close the project.

1. BUILD STATUS:

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<td>Maria Skillern</td>
<td>First Version</td>
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<td>28 July 2003</td>
<td>Maria Skillern Project Manager, DPAC</td>
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This document has been derived from a template prepared by the Department of Premier and Cabinet, Tasmania. The structure is based on a number of methodologies as described in the Tasmanian Government Project Management Guidelines.

For further details, refer to [http://www.projectmanagement.tas.gov.au](http://www.projectmanagement.tas.gov.au)
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1 EXECUTIVE SUMMARY

1.1 Background

The Tasmanian Government Electronic Procurement Pilot Project sought to create a sustainable electronic marketplace in Tasmania - complementing and extending two local initiatives, Service Tasmania and Tasmania Business Online - by developing government-to-business electronic procurement and purchasing.

The procurement of goods and services is one of the most important functions of an enterprise. The Tasmanian Government is a major buyer of goods and services, spending millions of dollars per annum. The need to increase local procurement by the Tasmanian Government is a Government and small business imperative throughout Tasmania.

In September 2000, the Department of Premier and Cabinet (DPAC) was successful in obtaining Networking the Nation (NTN) grant funds to conduct a project under the arrangement of a Memorandum of Understanding (MOU).

The project involved two pilot agencies trialing the transfer of Tasmanian Government purchasing from paper-based to an online-based process.

As implied by the term ‘pilot’, the Tasmanian Government Electronic Procurement Pilot Project was simply a ‘proof of concept’ project.

1.2 Terms of Reference

There were no Terms of Reference for a Project Review documented in the Tasmanian Government Electronic Procurement Pilot Project Business Plan. However, conducting a review at the end of a project is important, particularly the identification of the lessons learnt.

This project review includes:
- An assessment of the performance of the project in relation to:
  - attainment of objectives;
  - achievement of outcomes;
  - delivery of outputs (number and quality);
  - project schedule (time); and
  - project budget (cost).
- A summary of the lessons learnt obtained from an independent survey of key stakeholders. Due to time constraints, the survey did not include any members of the Project Steering Committee.
Section 5 of this report also contains important information to inform the Project Steering Committee in its decision to formally close the project.

As per the MOU, a Final Report has been prepared and forwarded to the Commonwealth. It is a detailed review of the project covering the operation, mechanisms and processes employed by DPAC to achieve the project objectives. As a result, this report is limited to a review of project performance and a review of the application of a project management methodology, as described above.

1.3 Summary of Findings

The Tasmanian Government Electronic Procurement Pilot Project was a success. The project achieved the majority of its objectives and outcomes, and delivered all but one of the planned outputs. However, in achieving this result the project ran significantly over the anticipated time frame by more than 12 months. The project was delivered within the grant-funded budget provided by NTN.

The project was started at a time when e-procurement was the “thing” to do. Like many other similar projects undertaken around the world at the same time, it faced a number of implementation issues (refer Appendix 2). However, the project has now been completed successfully. The learnings gained throughout the project have been shared throughout Tasmanian Government agencies, local government and suppliers through a number of different mechanisms.

There are no remaining outcomes to be achieved or outputs to be delivered. A number of whole of government recommendations were identified and have been presented to and subsequently endorsed by the Inter Agency Steering Committee at its June 2003 meeting. As a result, there are no remaining issues or risks to be transferred to other parties and the project is suitable positioned to be formally closed.

1.4 Summary of Recommendations

There are a number of recommendations arising from this report, including:

1. That IAPPU, through the area of Good Practice, explore the sharing of information and experiences of Tasmanian Government Project Managers who have been involved in partnerships between agencies and/or between the three tiers of government.

2. That IAPPU, through the area of Good Practice, explore the relevance of an Outcome Realisation Plan in pilot projects i.e. ‘proof of concept’ projects.

3. That the Project Steering Committee (IASC) agree that the Tasmanian Government Electronic Procurement Pilot Project has fulfilled all of the requirements as documented in the Project Business Plan Version 2.0 and can be deemed closed.

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1 The Inter Agency Steering Committee (IASC) was the designated Steering Committee for the project.
2 INTRODUCTION

2.1 Background to the Electronic Procurement Pilot Project

The Tasmanian Department of Premier and Cabinet (DPAC) undertook an Electronic Procurement Pilot Project with grant funding provided by NTN. The objective of the project was to pilot and evaluate the use of government-to-business electronic procurement in two Government agencies - the Department of Primary Industries, Water and Environment (DPIWE) and the Department of Education (DoE).

The pilot provided an opportunity for the two agencies to test out a number of different approaches to moving from a paper-based purchasing and payment process to a more electronic process.

The project involved the development of a number of key partnerships with organisations including the Department of Treasury and Finance, Tasmanian Electronic Commerce Centre (TECC), Industrial Supplies Office–Tasmania, IT Industry Council, and key suppliers to the pilot agencies.

2.2 Project Review Methodology

The project review was undertaken by comparing the two baseline project documents, which outlined the planned approach to the project, with the current and historical project documentation which outlined the actual execution of the project.

The baseline project documents were:
- Memorandum of Understanding – Schedule 1
- Tasmanian Government Electronic Procurement Pilot Project Business Plan Version 2.0

The current and historical project documentation included:
- Final Report to NTN – 30 April 2003
- Final Acquittal Report provided to NTN – 16 June 2003
- Project Status Reports
- Output Register
- Issues Register

The lessons learnt (Section 4) were obtained from an independent survey of key stakeholders conducted by the Project & Quality Management Advisor for the project. The survey was based on the key elements in the Tasmanian Government’s project management methodology. A list of the stakeholders who provided input is included in Appendix 1.
3 PROJECT PERFORMANCE

The project was governed and constrained by the MOU with the Commonwealth. The MOU included the objectives, activities, milestones, performance indicators and reporting requirements.

To enable the project to be effectively managed on a day-to-day basis, a Project Business Plan was developed for the project, drawing upon the objectives, activities and milestones in the MOU.

Project performance in this section of the report uses both of these documents as a baseline for the review.

3.1 Performance Against Objectives

As outlined in Schedule 1, Section 2.3 of the MOU, the project’s objectives were to:

(a) trial the transfer of Tasmanian government purchasing from paper-based to an online-based process in two agencies; and

(b) contribute to the viability of electronic marketplace initiatives in Tasmania.

The two agencies involved in the trial were the Department of Primary Industries, Water and Environment (DPIWE) and the Department of Education (DoE).

- The trial undertaken in DPIWE met the first objective, as a number of e-procurement initiatives were established in the agency that replaced paper based systems with online-based systems. Most of these initiatives were incremental in nature, for example, building e-procurement capability into Finance One, the agency’s Financial Management Information System. A number of initiatives were more holistic, for example, the introduction of eTravel and the adoption of Smart Data On Line. However, none of the initiatives involved the adoption of major end-to-end e-procurement systems.

- Arguably, DoE met the first objective by volunteering to participate in the trial and establishing a project within the agency to conduct a trial. Unlike DPIWE, it made limited progress in establishing any changes to replace paper-based systems with online-based systems. Despite identifying a range of possible activities during the Setup step, a number of issues arose that prevented it from implementing any of these initiatives.

As reflected in current literature and articles, the DoE experience is not uncommon. However, the learnings gained from the DoE trial will be invaluable in informing other Tasmanian Government agencies planning advancement in e-procurement in the future.

The trial agencies made minor contributions to the viability of electronic marketplace initiatives in Tasmania:

- Most of the initiatives undertaken by DPIWE focussed on the buyer side business processes, rather than facilitating two-way electronic interaction with suppliers. The exception to this was the electronic delivery of Aurora accounts and purchasing directly from selected major office suppliers’ web sites.
• The Glenora District High School (DoE) utilised Tasmania Business Online (TBO) during the trial period; however, relatively few of the school’s suppliers were available through TBO, with only 2 to 3 orders placed through the facility each week.

As a regional school and geographically removed from major retail centres, Glenora District High School provides a good example of the contribution of the project to reducing disparities in access to services and facilities. Approximately 80% of the school’s suppliers are based in Tasmania, with very few purchases being made with suppliers that are located in close proximity to the school.

3.2 Performance Against Outcomes

The outcomes for the project were outlined in Section 2.1 of the Project Business Plan. There were three outcomes:

(a) Appreciation of benefits and “proof of concept” of e-procurement;
(b) Purchasing efficiencies and identifiable time and cost savings; and
(c) e-commerce uptake by Tasmanian businesses.

As illustrated in the table below, a number of strategies were planned to assist the achievement of these outcomes. The majority of the strategies were implemented. As there were no quantitative measures defined for measuring the achievement of the outcomes, the outcomes have been assessed by qualitative observation.

The first outcome to gain an appreciation of the benefits and “proof of concept” of e-procurement was certainly achieved, with the learnings documented in the Final Report to NTN in April 2003. The second outcome was partially achieved in that some process change was implemented creating purchasing efficiencies; however, the ability to clearly identify time and cost savings was diminished by the quality of the costing model developed during the project. The last outcome to increase the uptake of e-commerce by Tasmanian businesses was also only partially achieved as described in the previous section.

<table>
<thead>
<tr>
<th>Outcomes</th>
<th>Planned Strategies</th>
<th>Implemented</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appreciation of benefits and “proof of concept” of e-procurement.</td>
<td>Mapping and benchmarking of current processes.</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Identifying the scope for improving the procurement process.</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Costing the current and potential procurement process.</td>
<td>partial</td>
</tr>
<tr>
<td></td>
<td>Identifying simple process change opportunities (risk management approach).</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Promotion of positive case studies – eg DNRE in Victoria.</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Benchmarking against best practice indicators.</td>
<td>✗</td>
</tr>
<tr>
<td></td>
<td>Confirming the technical feasibility of implementing e-procurement in the pilot agencies based on current and planned technical architecture.</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Identifying the e-readiness of suppliers.</td>
<td>✓</td>
</tr>
</tbody>
</table>
### Outcomes

<table>
<thead>
<tr>
<th>Purchasing efficiencies and identifiable time and cost savings</th>
<th>Planned Strategies</th>
<th>Implemented</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Implementing process change.</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Leveraging off existing infrastructure by making ‘simple’ (no major software development) enhancements to enable e-procurement.</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Purchasing ‘off-the-shelf’ software/customised system development based on technical architecture.</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Trial the purchase of goods and services through an electronic marketplace</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Training of staff in the two pilot agencies.</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Marketing and communication to staff and suppliers.</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Evaluation to confirm time and cost savings.</td>
<td>×</td>
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</table>

<table>
<thead>
<tr>
<th>e-commerce uptake by Tasmanian businesses.</th>
<th>Planned Strategies</th>
<th>Implemented</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Utilise the expertise of TECC to improve awareness.</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Marketing and communication to Tasmanian businesses about what the Government is doing in relation to e-procurement.</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Demonstrating leadership through example.</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Adopting technical standards that are consistent with other jurisdictions.</td>
<td>×</td>
</tr>
<tr>
<td></td>
<td>Entering partnerships with common use contractors.</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Using a preferred e-marketplace.</td>
<td>✓</td>
</tr>
</tbody>
</table>

### 3.3 Performance Against Outputs

The NTN Reporting Outputs outlined in Schedule 1, Section 3.2 of the MOU. The Project Outputs to be delivered by the project were outlined in Section 3.1 of the Project Business Plan.

#### 3.3.1 NTN Reporting Outputs

All of the NTN reports were produced as illustrated in the table below:

<table>
<thead>
<tr>
<th>NTN Reporting Outputs</th>
<th>MOU Due Date</th>
<th>Date Delivered</th>
</tr>
</thead>
<tbody>
<tr>
<td>2nd Progress Report</td>
<td>31 July 2001</td>
<td>1 October 2002</td>
</tr>
<tr>
<td>Final Report</td>
<td>28 February 2002</td>
<td>30 April 2003</td>
</tr>
</tbody>
</table>

The significant gap between the MOU Due Date and the Date Delivered for the reports to NTN was due to a combination of two factors. Firstly, the original version of the 1st and 2nd Progress Reports were not accepted by NTN and, secondly the overall delay experienced by the project.

The original version of the 1st and 2nd Progress Reports were completed and forwarded to NTN by the due dates. However, the content was incomplete and not
presented in the required format to enable NTN to approve the reports. After a long period of discussion and negotiation, agreement was reached in August 2002 that NTN would allow the withdrawal of the previous reports and revised reports to be submitted for consideration. These revised reports were accepted by NTN.

3.3.2 Project Outputs

Of the 19 project outputs, only one output was not produced, as illustrated in the table below. The output - System Specifications – was anticipated to be specifications for any systems or configurations for software to be used in the pilot. This output (shown shaded) was not produced as it was not required by either agency. DPIWE had elected to trial Finance One\(^2\) modules. DoE had insufficient time to install and trial any product(s) as the software selection process was delayed significantly.

The quality of the outputs was such that the majority of the outputs produced were either approved by the project Steering Committee, forwarded to NTN as part of their reporting process and were accepted.

All outputs were fit-for-purpose with the following exceptions:

- The costing model developed as part of the Transaction Costing Consultancy was complex for the business units to use and collection of some of the data proved more difficult than expected. It was originally intended that the model would be used after the project by other Tasmanian Government agencies and potentially Local Government. The model and some suggestions for improvement for its future use have been forwarded to the Department of Treasury and Finance for consideration.

- As a result of the experience with the costing model to obtain baseline metrics for purchasing costs, the exercise was not repeated at the end of the project as originally planned as part of the Final Evaluation Report.

Additional detail on these issues is provided in Appendix 2 – Implementation Issues: Quality Management.

\(^2\) Finance One is the Financial Management Information System (FMIS) primarily used by Tasmanian Government agencies.
<table>
<thead>
<tr>
<th>Output</th>
<th>Description</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline Assessment and Evaluation Report</td>
<td>A report on current procurement and payment processes in the two pilot agencies. This report will include information on volumes and values of purchases, payment processes, lists of suppliers and an estimate of the operational costs of the current procurement processes.</td>
<td>Baseline Assessment and Evaluation Report - completed 19 January 2001 and submitted to NTN with the 1st Progress Report.</td>
</tr>
<tr>
<td>Profiling Template¹</td>
<td>A document outlining the steps and information required to undertake a procurement profiling exercise in the business units participating in the pilot.</td>
<td>The questions to be asked were documented, but no process was documented.</td>
</tr>
<tr>
<td>Profiling Reports</td>
<td>Reports detailing the expenditure of the business units participating in the pilot by organisational grouping, type of expenditure and by supplier.</td>
<td>eProcurement Scorecard Report (Baseline) completed for the two pilot agencies in January 2002 and submitted to NTN with the 1st Progress Report.</td>
</tr>
<tr>
<td>Process and Procedure Mapping and Transaction Costing Methodology</td>
<td>A document outlining the process to identify the steps involved in the procurement process in the business units participating in the pilot and how to cost these processes</td>
<td>Process Mapping Reports completed for the two pilot agencies - DPIWE June 2001 and DoE January 2002. Costing methodology completed by a consultant as part of the Transaction Costing Consultancy (refer output below)</td>
</tr>
</tbody>
</table>
| Process Maps and Costings                   | Reports showing the procurement processes in each business unit involved in the pilot and the associated cost of the processes                                                                                   | Process Mapping Reports (above) illustrate the procurement processes in each business unit involved in the pilot and submitted to NTN with the 1st Progress Report. The cost of the process was identified by a consultant through a Transaction Costing Consultancy. The deliverables from this were:  
  • Transaction Costing Study Report which was submitted to NTN with the 1st Progress Report  
  • Costing Model (MS Excel worksheets)  
  • Guidance Notes  
| Electronic Procurement Model                | A model outlining the different steps involved in the procurement process and the various stages of implementation of electronic procurement                                                                 | eProcurement Scorecard (generic) produced to enable business units to assess where they are in relation to their e-readiness (prior to the live trial) and provide them with a way to identify where they would like to be, and therefore what areas of the procurement process they would like to trial during the pilot.  
  This information is captured in two documents:  
  • Process Mapping Report – for each business unit  
  • Pilot Agencies’ eProcurement Scorecard Report (Baseline) |

¹ In March 2002, the Department of Treasury and Finance published *Procurement Profiling - A Guide for Agencies* which provides guidelines to assist agencies in compiling a procurement profile to enable the compilation of baseline data to support the development of appropriate procurement strategies.
<table>
<thead>
<tr>
<th>Output</th>
<th>Description</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing and Communication Plan</td>
<td>A document setting out the marketing and communication activities to be undertaken with suppliers and agency staff.</td>
<td>Completed in April 2001 in consultation with the former Department of State Development</td>
</tr>
</tbody>
</table>
| Information Sessions                        | Information sessions about electronic procurement and case studies of the implementation of electronic procurement for staff in the two pilot agencies | Information session for staff -April 2002 – John Byrne, DNRE  
March 2001 (DPIWE only) -Corporate Express and National 1  
One-on-one with Business Units -11 x DoE and 7 x DPIWE  
Sessions included:  
• Introductory Session  
• 3 x process mapping  
• Transaction Costing  
• Supplier examination |
| Awareness raising sessions                 | Awareness raising sessions for current and potential suppliers to the two pilot agencies to deal electronically with the business units involved in the pilot | Information sessions held in March 2001 (Ulverstone) and May 2001 (Launceston and Hobart)  
September to November 2001 one-on-one with suppliers (DPIWE)  
February 2002 one-on-one with suppliers (DoE)  
April to June 2003 one-on-one with 292 suppliers (DPIWE) |
| Supplier e-readiness report                | Survey results setting out the stage of readiness of suppliers to the two pilot agencies to deal electronically with the business units involved in the pilot | Supplier eReadiness Report (Baseline) completed in March 2002. Contains the results of interviews with 65 key suppliers identified by pilot agencies based on frequency, volume and value of transactions. This was submitted to NTN with the 2nd Progress Report. |
| Software Evaluation Reports                | Reports detailing the software options and their suitability for use in the pilot | Consultant engaged to assess the submissions to the RFI for e-procurement Systems resulting in report Review Of Responses To The Request For Information For Eprocurement Systems and was submitted to NTN with the 2nd Progress Report. |
| Business Functionality Requirements        | A report specifying the functionality required by business units in the two pilot agencies of an e-procurement system | Functionality partially incorporated in to the Selection Criteria for the RFI for e-procurement Systems – not developed separately. |
| System Specifications (if required)        | Specification for any systems or configurations for software to be used in the pilot. | RFI for e-procurement Systems undertaken to identify potential ‘off the shelf’ products available for a complete or partial solution. No products were selected. |
| eProcurement-enabling Systems              | Software that facilitates the reduction of manual effort in the procurement process | DPIWE:  
• purchased eProcurement module  
• utilised intranet web pages  
• introduced emailing & faxing of orders directly from FMIS  
• introduction of eTravel  
DoE:  
• trial use of TBO at Glenora |
<table>
<thead>
<tr>
<th>Output</th>
<th>Description</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pilot Agency Project Reports</td>
<td>An evaluation of the pilot activities undertaken in the business units of the two pilot agencies</td>
<td>Pilot Project Managers prepared a report that reviewed activities to be trialled and a description of activities implemented during the live trial.</td>
</tr>
</tbody>
</table>
| Final Evaluation Report        | An independent review of the operation of the two pilots and a comparison between the pilot operations and the baseline assessment | Consultants engaged and produced:  
• *Final Report: Evaluation and Review of the e-Procurement Pilot Project* which was submitted to NTN with the Final Report  
• Presentation provided to IASC on 14 March 2003  
• Presentation provided to eGovernment Forum on 19 March 2003 (Hobart) and 29 May 2003 (Launceston) |
| Rollout Strategy Recommendations | A report identifying the issues to be considered for the future rollout of electronic procurement in all inner budget agencies | Section 2 of the Evaluation and Review consultants report covered issues to be considered. In addition, an Issues Paper on whole-of-government electronic procurement was tabled for discussion and endorsement by the IASC on 14 June 2003. |
| Procurement Policy Recommendations | A report outlining possible changes to Government purchasing policies | Included only at a strategic level in Section 2 of the consultants report as part of the Evaluation and Review of the trials. In addition, an Issues Paper on whole-of-government electronic procurement was tabled for discussion and endorsement by the IASC on 14 June 2003. |
| Rollout Strategy\(^4\)          | Develop and implement a strategy to encourage suppliers to the agencies to take up and or increase their use of electronic commerce applications and trading. | A report on the activities involved in this (final) step of the project was completed in April 2003 - *Rollout Step Report* and submitted to NTN with the Final Report.                                                                |

\(^4\) It should be noted that this output was originally omitted from the Project Business Plan, but has been included in this report as it is an integral step in the project as described in the MOU. It has a totally different focus to the ‘Rollout Strategy Recommendations’ which did appear in the Project Business Plan.
3.4 Performance Against Schedule

The project was originally planned to take 18 months, commencing in October 2000 and concluding in March 2002. However, the project experienced a number of delays and did not conclude until May 2003 – a duration time of 32 months.

The schedule below shows the baseline start and finish dates for the activities and milestones set out in the MOU with the Commonwealth and the actual dates for completion.

<table>
<thead>
<tr>
<th>Key deliverables</th>
<th>Scheduled Start</th>
<th>Scheduled Finish</th>
<th>Actual Start</th>
<th>Actual Finish</th>
</tr>
</thead>
</table>

3.5 Performance Against Budget

The project was funding by a grant from NTN as follows:

<table>
<thead>
<tr>
<th>NTN Cost Item</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries (project management)</td>
<td>$138,600</td>
</tr>
<tr>
<td>Independent evaluation and review</td>
<td>$50,000</td>
</tr>
<tr>
<td>Application integration</td>
<td>$300,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$488,600</strong></td>
</tr>
</tbody>
</table>

Information comparing actual performance against budget is not available.

4 LESSONS LEARNT

Conducting a review at the end of a project is important, particularly the identification of the lessons learnt. For the Tasmanian Government Electronic Procurement Pilot, the information gained from stakeholders relating to what went right and what could be improved will be used to:

- improve the management of similar projects undertaken within the Department of Premier and Cabinet and other Tasmanian Government agencies; and
- improve the available resources for future Tasmanian Government projects.
The lessons learnt were obtained from an independent survey of selected key stakeholders conducted by the Project & Quality Management Advisor for the project. The lessons learnt have been grouped together using the relevant key elements outlined in the Tasmanian Government’s project management methodology. Stakeholder’s comments have been included under the key element heading where they appear to ‘best fit’. As anticipated, the perceptions of the stakeholders differed. In some instances this has resulted in contradictory observations about the same project management key element. As much as possible, all of these views have been equally represented.

A list of the stakeholders who provided input is included in Appendix 1. Stakeholders are thanked for their time, input and honesty in responding to the project review survey.

4.1 What Worked Well?

Planning and Scoping\(^5\)

- The final project was very different from that originally envisaged, both from what was achievable and the timeframes. Some of this can be related to planning deficiencies but mainly this project was experimental in nature and as such planning had to be step by step.
- Some stakeholders felt that the timelines were appropriate for the project.
- To enable the project to be effectively managed on a day-to-day basis, a Project Business Plan was developed for the project, drawing upon the objectives, activities and milestones in the MOU.
- In contrast to the early to middle stages, the project was brought on track in the later stages when a degree of project management rigour was applied to determining clear milestones and assessing the progress of the project.

Governance\(^6\)

- As originally planned, the governance structure was adequate and appropriate.
- The Working Group was very effective and made decisions, maintained a whole of government approach and ‘steered’ the project in the right direction.
- The Chair of the Working Group was effective.
- Stakeholders generally understood their roles.
- The DPIWE pilot project was carried out in a significant degree of isolation from the main project and the DoE pilot project, with no formal project management methodology applied. DPIWE felt that this was appropriate to the circumstances and the pilot project achieved the desired results for the agency.

\(^5\) ‘Scope’ i.e. the totality of the project – outcomes, customers who use the outputs, outputs (services or products), work to be undertaken to produce the outputs and the resources to get the work done.

\(^6\) ‘Governance’ – the management structure for the project – who is responsible for what.
• Upon the appointment of the second DPAC Project Manager, a number of issues were highlighted to the Working Group. The new approach appeared to provide momentum to the Working Group, who worked through the issues and began to demonstrate a greater commitment to the project. A number of these issues were elevated for consideration by the Project Steering Committee.

Stakeholder Management

• There were major efforts taken to engage stakeholders, which was difficult for a project where there was only limited interest in the project outcomes.
• The processes were sound and designed to effectively meet the needs of stakeholders. The dissemination of information was professional and adequate.
• The response from the DoE business units was excellent during the collection and analysis of the costing information related to the Transaction Costing Consultancy. The staff who were working at the ‘coal face’ were enthusiastic and aware of the potential for change within their small component of the purchasing process.

Risk Management

• A lot of effort went into identifying risks and the Project Business Plan incorporated actions to mitigate the identified risks.
• Once the risk of failure to manage the project in accordance with the requirements of the NTN Secretariat was acknowledged as having occurred, the DPAC Project Manager immediately employed strategies to focus on the requirements of the MOU.
• One stakeholder observed that the major risk to the project was the lack of active involvement by all parties, but remained unconvinced that active management of this risk would have made any difference to the outcome.

Issues Management

• Most stakeholders felt that the key issues had been identified and adequate mechanisms were put in place to manage them.
• The DPAC Project Team developed and utilised an Issues Register to capture and monitor project issues.

Resource Management

• Some stakeholders felt that the project was adequately resourced, in terms of funding, staffing, and accommodation.
• The delegation of tasks by the DPAC Project Manager to a DPAC team member (Project Officer) provided opportunities for that individual to develop new skills, such as gaining an understanding and experience in the development, advertising and evaluation of tenders.
• The consultants were managed effectively, particularly the Transaction Costing Consultancy.
• The external consultants contracted to the project generally performed well. The consultants who completed the Evaluation and Review Consultancy were particularly effective.

• A number of external consultants were engaged through a tender process. A number of comments were received by the DPAC Project Team from successful and unsuccessful tenderers that the tender processes were competently executed and managed. This was particularly significant as a number of the tender evaluation processes were delayed extensively. In these cases, the team kept respondents informed of the progress by phone, as often as required.

• A Briefing Session was conducted during one of the tenders, which was well attended by potential tenderers. Many made comments on the usefulness of the session to the development of their submissions.

• A number of unsuccessful tenderers requested debriefs, which were provided.

Quality Management

• The quality management undertaken by the project was reasonable, but there were times when inadequate reality checks were undertaken on the information that was gathered.

Status Reporting

• The status report for the project was adequate, with the provision of information to stakeholders occurring in a timely manner.

• Conducting regular meetings was an appropriate mechanism to report progress to the Working Group.

• Project Status Reports were prepared monthly by the DPAC Project Manager and tabled at each Project Steering Committee meeting.

Development Methodology

• A different choice of DoE business units to be included in the pilot could have produced a better result.

4.2 What Could be Improved?

Planning and Scoping

• Some stakeholders felt that the initial project brief, upon which NTN funding was provided, was ambitious and impractical in the timeframes set. The initial milestones were never achievable, and were frequently amended, along with the scope of the project. In particular, it appeared that no provision had been made in the original plan submitted with the application to NTN for the time to complete

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7 Every project, with the use of business and technical knowledge involves the application of a methodology or sequence of activities to design, develop, and evaluate new or improved products or service – this is the development methodology for the project.

8 ‘Scope’ i.e. the totality of the project – outcomes, customers who use the outputs, outputs (services or products), work to be undertaken to produce the outputs and the resources to get the work done.
the processes required to satisfy the Tasmanian Government’s purchasing guidelines. For example, the time required to prepare and undertake the competitive tenders for the project added a significant number of weeks to the original time frame.

- The project was allowed to drift too much in the early to middle stages, without determining clear milestones and assessing progress made – i.e. sound project management methodology was not applied.

- Members of the DPAC project team that were engaged in the later stages in the project felt frustrated by a lack of clearly defined scope and detailed execution planning for the project, which did not appear to have occurred earlier.

- In effect, the ‘scope’ of the project developed as the project progressed, and this also affected the timeline. This was not necessarily wrong given that the whole point was to pilot electronic procurement methods based on an unknown capacity within State Government.

- Planning for the project was inadequate, particularly as there was no clear concept of what DPAC was looking to achieve from the project. With hindsight, some stakeholders felt that it would have been better if the project had been undertaken by Treasury.

**Governance**

- According to the Project Business Plan, the IASC were the Steering Committee for the project. Throughout the project, the IASC appeared to take more of a watching brief on the project, rather than actively steering it. The DPAC Project Managers were rarely offered the opportunity to speak to their report or observe/participate in discussion on the progress of the project. Unfortunately, no real effort was made to remedy this. Rather, mechanisms were put in place to fill the gap by using the Working Group for decision-making purposes.

- The Project Manager for the DoE pilot project changed several times. The last DoE pilot Project Manager joined the project towards the end of the pilot stage and was briefed to attend meetings, report developments and evaluate options for possible implementation when the DoE climate was appropriate (significant IT infrastructure changes would need to occur before making too much progress).

- Some Working Group members did not participate fully in the process. This was evident during meetings when members had obviously not read the minutes of the previous meeting(s) or read the papers and prepared for the meetings.

- Some stakeholders observed that there appeared to be a lack of commitment to the project by one of the pilot agencies which was often demonstrated by their slow response to requests for information from the DPAC Project Team.

- There was no ‘buy in’ by the pilot agencies to the objectives, activities, milestones and performance indicators in the MOU. Only the DPAC Project Manager was accountable according to the governance structure. This enabled minor deviations to occur in the project which may have been an inappropriate use of resources and not contributed to the overall success of the project.

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9 ‘Governance’ – the management structure for the project – who is responsible for what.
LESSONS LEARNT

• The DPAC Project Managers established meetings with the DPIWE and DoE pilot Project Managers early in the project. It may have been beneficial, particularly for DoE, if these meetings had continued throughout the project.

• The relationship with the Commonwealth appeared to be very difficult to manage – partly due to staff changes (at both State and Commonwealth level) and also due to poor turnaround of documents and poor communication from the Commonwealth. Even as late as mid June 2003, the NTN contact for the project changed.

• Representation on the Working Group may have required multiple representatives from DoE to ensure that key personnel working in areas such as procurement, IT and Finance One/SACS \(^{10}\) were included. Due to the complexity, size and structure of the agency, one representative alone could not be effective.

• A Systems Working Group was convened, but only met once. It was difficult to get these staff together as the project was not deemed to be of a high priority, particularly within DoE. These problems combined with the delay in the selection of potential e-procurement systems resulted in this group not re-convene during the remainder of the project.

• The relevance or actual contribution made by the Internet Commerce Committee (ICC) to the project was unclear. They appeared to have little understanding of their role in the project as defined in the MOU and this impacted on their effectiveness. The DPAC Project Team became their executive support and consequently the ICC members (particularly the TECC) appeared to consider that the team would carry out work identified by them and lost sight of the fact that this was a project and the team would only be accessible to them for the fixed duration of the project.

Stakeholder Management

• There were expectations from a number of external stakeholders, such as Tasmania Business Online (TBO), that there would be a live trial of an e-procurement system. These expectations should not have been allowed to develop.

• The DPAC Project Team appeared to concentrate in the early stages on the DPIWE pilot project, possibly because the agency was making more headway than DoE.

• Not withstanding the communication with suppliers, the extent to which suppliers were included in the process in both pilots could have been improved. For example, after the pilot projects had concluded a representative from SPS Supply rang to indicate that they had registered their interest in being part of the program, but had heard nothing about the progress of the project.

• Greater efforts could have been employed to ensure that all stakeholders retained their initial level of enthusiasm throughout the project.

• The use of the Information Sessions with suppliers produced little benefits other than informing the small number of suppliers who chose to participate of what the project was aiming to do.

\(^{10}\) The School Administrative Control System used by schools for their administrative activities including financial management.
Risk Management

• Unfortunately, staffing changes are difficult to prevent and this turned out to be a real threat to the project.

• The absence of a rigorous project management methodology in the early stages of the project impacted on the management of risks, to the extent that the risk of failing to manage the project in accordance with the requirements of the NTN Secretariat seemed to have been ignored and was not escalated until June 2002.

• Mechanisms for managing risks to the project were in place, but may not have been effectively used.

Issues Management

• One stakeholder felt that there was an absence of adequate issues management, which was very much an outcome of the poor governance structure.

• One stakeholder was unconvinced that DoE understand the fundamentals within DoE business processes. Information gained through their procurement training session suggests that around 15% already used vendor e-systems, although most indicated that they had never considered that option.

• One stakeholder felt that the key issues had been recognised, but they had not all been documented.

Resource Management

• It may have been better to fund part time positions in both pilot agencies to assist in the analysis of the current systems and processes.

• The DPAC Project Team had some staff changes over the course of the project. This was a continual problem for the DPAC Project Manager, as team stability is a very important aspect of the overall successful management of a project.

• Records were inadequately maintained in the initial stages of the project, with records found to be unreliable, or sometimes non-existent.

• Potentially, due to a lack of understanding of the MOU, a number of expenses were initially paid for using the grant funds which were deemed by NTN to be non-project related. The MOU had only three categories of expenditure and did not include expenditure for internal business process improvement in the trial agencies, quality assurance and staff related costs such as salaries, training, travel, and accommodation. This resulted in a significant amount of time spent obtaining copies of every tax invoice and travel claim related to the project and re-classifying them as project related (paid for by the grant funds) or non-project related.

• One stakeholder felt that staffing resources were not always used to the best capacity, and after examining the outputs of the project questioned where the resources were actually applied.

• One stakeholder felt that the Transaction Costing Consultancy was never going to produce any useful result. This became clear as soon as the consultancy started, as the approach and execution appeared to be flawed.
• There were two DPAC Project Team members. Each one was assigned responsibility for a pilot agency. There were no processes established to ensure that there was cross-fertilisation of ideas and issues and a consistency of approach.

• One stakeholder felt that there was insufficient staff in the DPAC Project Team at various times during the project.

• The initial physical arrangements of the DPAC Project Team were inadequate and later the team members were physically separated on a different floor from DPAC Project Manager.

Quality Management

• The Transaction Costing Consultancy resulted in two outputs which were of limited value.

• The Project & Quality Management Advisor was rarely present at the Working Group meetings and did not appear to provide input to the meetings.

• Quality management of the project was not applied to the early and middle stages of the project.

• Overall, the outputs for the project were not clearly defined or measured on an ongoing basis. Implementing an external review process right from the outset may have been beneficial.

Status Reporting

• Detailed written reports should have been provided by the DPAC Project Manager to the Working Group meetings. There may have been some value in having each of the pilot Project Managers also provide a written status report.

• One stakeholder felt that the internal management (i.e. within the DPAC business unit) of the project may not have been as thorough as it should have been and failed to identify that there were problems in the early stages and act accordingly.

• The reporting mechanism that was in place did not work or was misused such that the Project Steering Committee, Project & Quality Management Advisor and the responsible DPAC business unit management were not aware of the true status of the project, particularly in relation to the non-acceptance by NTN of the Progress Reports and the implications this had on the project.

Project Management Tools and Resources

• The need for an Outcome Realisation Plan (ORP) was raised in the early stages of the project. There was some discussion in the following months between the DPAC Project Manager and the Project & Quality Management Advisor of the need for such a plan for a ‘proof of concept’ project. Agreement was reached that due to the nature of the project an ORP was not necessary.
Development Methodology\textsuperscript{11}

- NTN expected the project to adhere strictly to the five sequential steps outlined in the MOU. They did not display any flexibility to realities in the ‘real world’ which had changed since the application was first submitted for consideration by NTN.

4.3 Recommendations

There are a number of recommendations arising from the lessons learnt, including:

1. That IAPPU, through the area of Good Practice, explore the sharing of information and experiences of Tasmanian Government Project Managers who have been involved in partnerships between agencies and/or between the three tiers of government.

2. That IAPPU, through the area of Good Practice, explore the relevance of an Outcome Realisation Plan in pilot projects i.e. ‘proof of concept’ projects.

5 CLOSURE ACTIVITIES

5.1 Project Staff

All of the project staff in the lead agency (DPAC) and the pilot agencies (DPIWE and DoE) were fixed term appointments or part-time activities assigned to individual staff. All staff, with the exception of the DPAC Project Manager have returned to their substantive positions.

Upon the formal closure of the project, the DPAC Project Manager will also return to her substantive position.

5.2 Issues Management

An Issues Register was maintained throughout the project. There were 25 issues recorded in the register throughout the project, all of which have been closed.

The early issues in the register related to the developing methodology for approaching the pilot projects and which project management documents were required. As the project progressed, the issues focussed on issues with the management of consultancies, relationships with suppliers and the areas of disagreement between the Commonwealth and DPAC.

Major issues requiring direction from the Project Steering Committee were raised in the monthly Project Status Reports.

\textsuperscript{11} Every project, with the use of business and technical knowledge involves the application of a methodology or sequence of activities to design, develop, and evaluate new or improved products or service – this is the development methodology for the project.
5.3 Risk Management

The results of an initial risk assessment were documented in the Project Business Plan. A separate Risk Register was not maintained throughout the project. The Project Status Report was used as the method for capturing and reporting threats to the project.

A review of the Project Status Reports shows that the reported risk profile did not appear to change much early in the project. However, later in the project the risk profile changed regularly. This starts to occur in May 2002 when two new risks were added and in June 2002 as the significance of the difficulties with the Commonwealth became apparent the likelihood of the risk of failing to manage the project in accordance with the requirements of the NTN Secretariat was increased.

There are no outstanding risks from the project to be forwarded to other parties.

5.4 Financial Management

The financial information for the project was maintained according to the requirements of the MOU within the DPAC FMIS using project codes 71101 to 71103. Copies of all tax invoices relating to the project were retained as part of the project records.

All tax invoices for expenses have been paid and the final linked grant fund payment is expected to be received before the end of July 2003. At that stage, the Tasmanian Audit Office will be engaged to conduct an audit of the financial records for the project, as outlined in the MOU. The arrangement of this audit and forwarding the results to NTN will be an administrative function completed by the Inter Agency Policy & Projects Unit (IAPPU) within DPAC.

5.5 Records Management

The records of project activity were maintained:
- in hard copy binders for working documents;
- within the IAPPU and DPAC Records Management systems; and
- electronically on the IAPPU group drive.

All project records within the hard copy binders used to store working documents will be processed and either filed/registered within the DPAC Records Management system or disposed of.

The files within the IAPPU and DPAC Records Management systems will be closed.

The electronic files on the IAPPU group drive will be reviewed. Duplicates and draft copies of documents will be removed before the files are closed.

5.6 Update and Archival of Electronic (Web) Information

The Tasmanian Government Electronic Procurement Pilot Project is referred to on a number of web pages. An update of the progress of the project and a modified copy

A date for archival will be assigned to any remaining information published on the site.

5.7 Post Project Responsibilities

There are no outstanding outcomes to be measured and monitored.

There are no outstanding outputs to be delivered.

A number of outputs have already been handed to Treasury for further action, including:

- Transaction Costing Model - a ready-to-use version of the procurement cycle costing model in Microsoft Excel. The model is based on the model used in the study, with some amendments based on the experience of its use in the study.
- Costing Model Guidance Notes - a short Microsoft Word document providing guidelines for the use of the costing model. These Guidance Notes are intended to assist staff of the Tasmanian Government to provide data for the procurement cycle costing model (above) for a similar Transaction Costing exercise.

In addition, a memo will be sent to the Secretary, Department of Treasury and Finance outlining the whole-of-government recommendations in relation to the advancement of electronic procurement in Tasmanian Government agencies which was endorsed by the IASC on 13 June 2003, along with a copy of the Final Report: Evaluation and Review of the e-Procurement Pilot Project February 2003. A courtesy copy of the memo and report will be provided to all Heads of Agency.

5.8 Recommendations

As a result of the project performance and the status of the project closure activities it is recommended:

1. That the Project Steering Committee (IASC) agree that the Tasmanian Government Electronic Procurement Pilot Project has fulfilled all of the requirements as documented in the Project Business Plan Version 2.0 and can be deemed closed.

6 CONCLUSIONS

The Tasmanian Government Electronic Procurement Pilot Project has been successfully completed. The project has met the obligations outlined in the MOU with the Commonwealth and met the majority of its requirements outlined in the Project Business Plan. The project encountered a number of implementation issues and ran significantly over the anticipated time frame.
The learnings gained throughout the project have been shared throughout the Tasmanian Government agencies, local government and suppliers through a number of different mechanisms.

The project was worthwhile, as it has provided the State Government with valuable information to inform its strategic direction for the implementation of electronic procurement in all Tasmanian Government Agencies.

7 APPENDICES

This section contains two Appendices:

- Appendix 1 – List of Participating Stakeholders

  This is a list of all key stakeholders who completed a questionnaire to capture the lessons learnt from the project – what worked well and what could be improved.

- Appendix 2 – Project Implementation Issues

  This is an extract from the Final Report submitted to NTN in April 2003 which describes all of the strategic and implementation issues faced by the project and how the inherent tensions facing the project were resolved.
## Appendix 1 – Participating Stakeholders

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<thead>
<tr>
<th>Name/Title</th>
<th>Agency / Organisation</th>
<th>Stakeholding</th>
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<tbody>
<tr>
<td>Michele Mason</td>
<td>DPAC</td>
<td>Chair – Working Group</td>
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<tr>
<td>Senior Consultant</td>
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<tr>
<td>Inter Agency Policy &amp; Projects Unit</td>
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<tr>
<td>Kim Hudson</td>
<td>Treasury</td>
<td>Working Group member</td>
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<td>Acting Director</td>
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<td>Revenue Branch</td>
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<td>Keith Wheatland</td>
<td>DED</td>
<td>Working Group member</td>
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<tr>
<td>Acting Executive Director</td>
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<td>ISO TAS</td>
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<tr>
<td>Alan Wood</td>
<td>DPIWE</td>
<td>Pilot Project Manager &amp; Working Group member</td>
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<tr>
<td>Business Analyst</td>
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<td>Corporate Management</td>
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<tr>
<td>Barry Teague</td>
<td>DoE</td>
<td>Pilot Project Manager &amp; Working Group member</td>
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<tr>
<td>Co-ordinator Procurement Service</td>
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<tr>
<td>Finance &amp; Procurement Services</td>
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<tr>
<td>Herb Aherne</td>
<td>DPAC</td>
<td>Project &amp; Quality Management Advisor</td>
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<td>Manager Projects</td>
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<td>Telecommunications, TMD</td>
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<td>Rowena Larsson</td>
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<td>Project Team member</td>
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<td>Service Tasmania Business Unit</td>
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<td>Maria Skillern</td>
<td>DPAC</td>
<td>Project Manager</td>
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<td>Inter Agency Policy &amp; Projects Unit</td>
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Appendix 2 - Implementation Issues

A number of implementation issues emerged as the project progressed including:

- **Project Strategy Issues**
  - Constraints of MOU – five sequential steps
  - Ability for Solutions to Interface with Finance One
  - No single model
  - Lack of adoption of major end-to-end e-procurement systems
  - Maintain balanced approach to suppliers
  - Economic environment changes
  - Change to rollout strategy

- **Agency Related Issues**
  - Cultural change
  - Department of Education Pilot

- **Supplier Related Issues**
  - Cultural change
  - Level of e-readiness of suppliers
  - Security and authentication

- **Technological Constraints**
  - Lack of define standards
  - Lack of adoption of standards
  - Software marketplace
  - Infrastructure constraints

- **Stakeholder Management**
  - Dealing with TECC - TBO or not

- **Quality Management**
  - Poor quality of information contained within FMIS
  - Delays in the Transaction Costing Consultancy
  - Limitations of Transaction Costing Study Report

- **Project Management**
  - Project resourcing
  - Changes in emphasis of oversight role by ICC to IASC
  - Low priority / competing resources

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12 Extracted from Final Report to NTN April 2003
The vast majority of the implementation issues encountered throughout the project were conveyed to the *Networking the Nation* Secretariat as they emerged, via email, telephone conversations, formal correspondence and in Progress Reports. In particular, dialogue continued throughout the project with regard to the milestones in the MOU which had not been met, the anticipated achievement dates for the milestones and the actions being undertaken by the DPAC project team to achieve the revised dates.

**Project Strategy Issues**

*Constraints of MOU – five sequential steps*

The MOU for the project clearly outlined five steps that were to be completed sequentially. While the steps are a logical progression, such as establishing a baseline for performance measurement purposes before starting the trials, the realities of the project meant that some of the steps could have been undertaken in parallel. For example, it was difficult to identify the single start date for the agency’s live trials. Once the activities to be undertaken were established as part of the setup step, they were effectively in ‘trial’ mode. Also, within DPIWE the range of potential initiatives appeared almost endless and it seemed counterproductive to suppress the enthusiasm for change once it had started.

*Ability for Solutions to Interface with Finance One*

A Systems Working Group was established to assist with decisions relating to software direction taking into account any whole of government impact. A decision was made by the Systems Working Group that any potential solutions needed to have the ability to interface with the existing Financial Management Information System (FMIS) Finance One currently being used by all Tasmanian Government agencies. This decision restricted the field of potential vendors who could provide systems for online procurement for the project.

*No Single Model*

The setup step demonstrated that there were a vast number of activities that could be implemented to change the procurement process from being paper-based to online processes. As such, it is become obvious that no single ‘model’ would be developed as a result of the pilot projects.

A number of possible activities to be included in the live trial conducted in DPIWE were investigated, but were not implemented, including:

- Introduction of Finance One eCatalogue module
- Introduction of Finance One eWorkflow module
- Implementation of internal catalogues
- Introduction of Web Petty Cash system
- Introduction of Web Item Profile Costing
- Introduction of electronic ordering of photocopier service/supplies
- Utilising Telstra’s billing update
A number of possible activities to be included in the live trial conducted in DoE were investigated, but were not implemented, including:

- Utilise Finance One eProcurement module
- Implement Finance One eWorkflow module
- Implement internal catalogues
- Increase the volume of orders raise within Finance One
- Faxing and emailing orders generated in Finance One
- Increase the use of order confirmation within Finance One
- Improve data entry of invoice information captured in Finance One
- Implement business process re-engineering in the purchasing processes within the disabilities area of Equity Standards
- Increase the level of usage of the corporate card
- Enhancement of electronic communication with other suppliers for the supply and management for acquiring Serial publications
- Web site on intranet

Lack of adoption of major end-to-end e-procurement systems

The establishment of an online electronic procurement system, as per Section 2.4 (a) of the MOU, appears to have envisaged the selection of two agencies with centralised or substantially centralised procurement functions and a number of resources assigned to the procurement task. However, the agencies who volunteered to participate in the pilot project nominated a number of diverse business units with relatively minor procurement functions and few, if any, dedicated procurement staff. The business units chosen reflects the requirement of the MOU to engage participation in regional and rural locations. This had implications for the:

- level of training and monitoring that would have been required to initiate a successful trial;
- trial methodology that could be reasonably applied;
- extent to which the agencies were representative of the nature of procurement in the Tasmanian Government;
- range of e-procurement initiatives that could be tested; and
- nature of the quantitative data that could be assembled.

Also, as a result of the delays in completing the Transaction Costing Consultancy (refer Quality Management Issues), the evaluation of the responses to the RFI to obtain information about the e-procurement systems available in the marketplace was delayed. The extent of the delay meant that there was inadequate time to select, install, test and train staff in the use of any of the full solutions that were available “off the shelf”.


Maintain balanced approach to suppliers

In dealing with suppliers during the project, it was important that the approach was a balanced one. The move from a paper based purchasing and payment process to a more electronic process was not designed to reduce the number of purchases currently undertaken with local suppliers, to those larger national or multi-national organisations that are well established on the Internet. However, by encouraging suppliers to move to more electronic processes, suppliers may have the ability to increase their market share by opening up a bigger market than there is in Tasmania, and hence potentially improve their economic sustainability.

The project did not provide funding for individual suppliers to purchase hardware or software, and any promotional activities for the project were deliberately targeted at industry sectors rather than individual suppliers. In addition, the MOU clearly stated that the live trials were to be undertaken with suppliers that are electronic commerce ready, whether through Tasmania Business Online or not.

Economic Environment Changes

The initial hype of the benefits from e-commerce subsided, particularly since the events of the technology stocks crash and 11 September 2001, with businesses now more circumspect about what electronic solutions can offer them. It became evident during the project that businesses were adopting a step-by-step approach when introducing new technology to their processes.

Change in approach to Rollout Step

The rollout step was defined as “develop and implement a strategy to encourage suppliers to the agencies to take up and or increase their use of electronic commerce applications and trading”. Since the MOU was signed in late 2000, a number of changes took place that impacted on what could realistically be achieved by the rollout step. In addition to the impact of the economic environment changes outlined above, other changes included:

- **Results of the evaluation and review of the live trials.**
  The report prepared by the independent consultants conducting an evaluation and review of the live trials (Final Report: Evaluation and Review of the e-Procurement Pilot Project) highlighted a number of issues identified during the trial. These issues, in addition to a review of relevant literature, indicate that the development and implementation of an effective strategy to encourage suppliers to the agencies to take up and/or increase their use of electronic commerce applications and trading would require considerable time, cost and effort.

  In addition, a key finding of the consultants was the need for Tasmanian Government agencies to selectively target suppliers, in particular suppliers who provide high volumes of commodity items. However, this cannot be done until agencies understand their procurement profile – what they buy, how much they buy, and from whom.

- **Progress made by other organisations.**
  The project took longer than originally anticipated. As a result, a number of organisations have made significant contributions in the area of assisting with the enablement of suppliers through a number of different initiatives.
• Tasmanian Electronic Commerce Centre (TECC).
  One of the roles of the TECC is to undertake activities and projects that will provide e-commerce awareness raising, support and advisory services to businesses, business groups and industry associations. Over a number of years, the TECC has successfully introduced hundreds of local companies to successful business solutions via electronic commerce tools. As observed by the evaluation and review consultants, the TECC is well placed to continue to support SMEs in their overall adoption of e-business technology.

• Other Tasmanian Government Initiatives
  While the Electronic Procurement Pilot Project was undertaken, other Tasmanian government agencies have continued to develop and implement strategies to encourage suppliers to engage in electronic commerce activities, including the Department of Justice and Industrial Relations and the Department of Treasury and Finance.
  The Department of Infrastructure Energy and Resources, as part of IRIS Tasmania, has also recently launched BizTas. BizTas provides users (government and non-government buyers) with a single Internet access point to information about registered Tasmanian businesses and organisations. Each business manages their own record and any changes made are instantly updated.

• National Office for the Information Economy (NOIE)
  NOIE is undertaking a project to develop an e-business guide. From a demonstration by the NOIE project team in April 2003, it was evident that when this guide is launched, it will provide suppliers with a lot of information to assist their enablement.

Agency Related Issues

Cultural change
  The pilot projects encountered difficulties in progressing the cultural change needed to move from a paper based purchasing and payment process to a more electronic process, as illustrated in the following examples:

• With Tasmania being such a small state, some agency staff prefer to purchase items face-to-face. The interaction with the individual sales person being an important part of the procurement process, which would be lost if the purchases were made online.

• Changing the procurement pattern for some agency staff will be difficult, when there is the accepted culture that staff have always used the same suppliers and would not consider sourcing items from a different supplier.

• Despite the ability within Finance One to directly fax a purchase order from the system to a supplier, some agency staff still elect to print out a hard copy of the order and send it using a facsimile machine.

• Despite the ability within Finance One to directly email a purchase order from the system to a supplier, some agency staff still elect to fax the order. As with ordinary email, a message is only sent to the staff member if the email is undelivered. Despite this, staff remain uncomfortable in not obtaining confirmation that the email has been successfully received.
**Department of Education (DoE) Pilot**

Progress within one of the pilot agencies in undertaking suitable trial activities has not been as expected. DoE was concerned that the schools did not use Finance One, and primarily use the School Administrative Computer System (SACS). DoE did not want to expend significant funds and resources implementing an e-procurement ‘solution’ which may not be adopted throughout the whole Department, i.e. for both the corporate business units and schools.

Although DoE identified that the procurement policy and practices within the Department needed to be clarified and updated before the introduction of e-procurement could be realistically considered, the experiences of DoE will be invaluable in assessing the potential barriers to the introduction of e-procurement throughout Tasmanian Government agencies.

DoE encountered significant issues in the implementation of the pilot project that impeded its progress. Despite identifying a range of possible activities during the setup step, a number of issues arose that prevented it from implementing any of these initiatives.

The issues encountered by DoE were summarised in its Project Review Report as follows:

“While the prospective benefits to DoE of buying on-line are acknowledged, especially to schools in remote locations, the principal learning from the setup and live trial steps for the project is that, at present, DoE is simply not ready to adopt an electronic procurement solution. Further, it is apparent that the e-procurement industry is still very much in the evolutionary stage and, with the current pace of development, it is the view of the Corporate Services Division (DoE) that it would be unwise for the Department to make a significant investment of time and resources into the implementation of e-procurement at this stage. It is considered that there are numerous issues to be resolved prior to fully embracing e-procurement within DoE, namely:

° The future of the School Administrative Computer System (SACS).
° The standard of IT communications infrastructure in schools.
° Further development of Finance One e-procurement functionality.
° Further availability of supplier e-catalogues.
° The improvement of procurement policy and practice within DoE.
° Completion of the procurement training initiative being undertaken by the Department of Treasury and Finance.
° Further developments in whole of government procurement policy and practice coordinated by the Department of Treasury and Finance.”

DoE also saw the outcome of the RFI to obtain information about the e-procurement systems available in the marketplace as a key step in determining what e-procurement initiatives would be trialled. The delay in the evaluation of the RFI responses further frustrated attempts by DoE to select a viable ‘system’ to trial during the project.
Supplier Related Issues

Return on Investment

Suppliers are seeking a return on investment for any changes they make to their business. To date, small to medium sized enterprises (SMEs) have remained sceptical about the benefits of the investment being worth the risk and cost.

Security and authentication

Transactions between different systems need to be exchanged in secure ways with assurances regarding the identities of the buyers and suppliers. There are not yet commonly agreed approaches for addressing these issues that satisfy the various concerns. These relate to issues such as:

- Agreement of what security risks actually are;
- What is the appropriate technical solution; and
- Practical aspects of particular solutions, for example, issuing all participants with a unique ID number that is recognised by multiple solutions.

Level of e-readiness of suppliers

There is a relatively low level of e-readiness of suppliers in Tasmania. As identified in the Supplier eReadiness Report (Baseline), only half of the 66 key suppliers identified by the pilot agencies had online ordering facilities, some of which had limited functionality. Only 30% of the suppliers had the ability to accept payments online. This has been reinforced by an observation by the consultants that the pace at which suppliers are embracing e-procurement differs markedly depending on the nature of the supplier and their position in the market.

Pricing goods for Government and non-Government buyers

SMEs may provide competitive prices for Government buyers, based on volume of sales. These suppliers are faced with the potential of developing two e-catalogues, one for Government buyers with their prices, and another for the non-Government buyers.

Technological Constraints

Lack of defined standards

Effective e-procurement requires various buyer systems and various supplier systems to exchange information and electronic documents. This requires common standards. Although there is emerging agreement on the adoption of XML (eXtensible Markup Language) as the basis for these standards, the necessary detailed standards are not yet in place. For some aspects, there are many different, competing standards.

Lack of adoption of standards

Although relevant e-procurement standards are emerging, many buyers and suppliers use systems that do not comply with such standards.
Software market

Due to the diversity of organisations, there is a wide variety of needs and business processes that need to be addressed by different e-procurement software systems. The state of the market is such that many organisations’ needs cannot yet be met by off the shelf software packages. Similarly, many organisations currently use procurement software systems that have limited or no capacity to support e-procurement.

Infrastructure constraints

Difficulties were experienced within the DoE pilot, with the use by Glenora District High School of the Internet to purchase items from Tasmania Business Online. The Internet bandwidth is limited and the use of the facility must be scheduled around the School’s other demands for the Internet link, including an on-line access centre. DPIWE business units located in rural locations identified similar constraints during the DPIWE pilot.

The limitations of this infrastructure will continue to provide difficulties for all agencies that have business units located in rural locations with reduced Internet bandwidth.

Stakeholder Management

Relationship with TECC

According to the MOU, the project was to work with the Tasmanian Electronic Commerce Centre (TECC) throughout the project in the setup and live trial steps, as follows:

- setup - introduce systems for online procurement in consultation with the TECC within the two agencies, and alert all suppliers to the two agencies to the trial; and
- live trial – implement online procurement with suppliers that are e-commerce ready, whether through TBO or not.

As a result, early consultation took place with the TECC in February 2001. The TECC outlined that it was able to assist the pilot by providing educational programs for suppliers and through its ability to help with supplier enablement.

However, it became evident as the project progressed that no single model would be adopted as the pilot agencies undertook incremental changes to their procurement processes, the level of interaction with the TECC and the TBO reduced. This resulted in the TECC raising concerns late in 2001 that the project was not utilising TBO as they had anticipated. This issue was managed at an executive level as it had the potential to adversely impact the relationship between the project team and the TECC.

This situation was exacerbated by the delay in the Request For Information (RFI) regarding e-procurement systems. The timing and purpose of the RFI for e-procurement systems generated an expectation among respondents that the selection and testing of a system would proceed as part of the pilot project. Following the closure of the RFI in December 2001, DPAC provided suppliers with advice in May 2002 that, due to delays, this would not occur and that no tenders for the supply of a system would be requested from any of the RFI respondents. Rather, respondents were advised that the RFI would be used to inform the:

“…Tasmanian Department of Treasury and Finance to assist in the consideration of a strategy for the implementation of electronic procurement by Tasmanian Government agencies.”

13 Letter to RFI respondents from eServices Group dated 20 May 2002.
The fact that the RFI to obtain information about the e-procurement systems available in the marketplace did not proceed to the selection and use of an e-procurement system as part of the pilot project did, understandably, result in some negative reactions from industry stakeholders regarding the trial, most notably TBO.

**Quality Management**

**Poor quality of information contained within Agency’s FMIS for Costing Study**

The Transaction Costing Study (TCS) was hindered by the poor quality of information contained within the pilot agency’s FMIS (Finance One). A number of entries were simply described as ‘goods’ or ‘services’ and it was not possible to determine the precise nature of the items purchased.

In addition, the number of items procured each year in the TCS counted the number of “units” procured. This depends to some extent on the way the items are procured and therefore how they are recorded within Finance One. For example, if a business unit procures pens by the box, a box of 10 pencils counts as one item, rather than 10. If a business unit buys pencils by the pallet-load, one pallet of pencil boxes counts as one item. This hinders the ability for agencies to readily undertake an accurate procurement profile. This observation was further strengthened by similar difficulties experienced by DoE in trying to estimate the amount of photocopying paper purchased by all of the Tasmanian Government schools and the Department’s corporate section. The information within Finance One proved to be of limited value.

**Delays in the Transaction Costing Consultancy**

The Transaction Costing Consultancy experienced delays due to a number of factors, including:

- the successful tenderer had staffing availability problems, were bought out by another company and then lost key staff with the skills required for the consultancy; and
- the model developed was complex for the business units to use and collection of some of the data proved more difficult than expected.

As a result of the delays in completing the Transaction Costing Consultancy, the evaluation of the responses to the Request For Information to determine the range of potential partial and full solutions that were available “off the shelf” was delayed to focus project team resources into the Transaction Costing Consultancy. This delay had a flow on effect, whereby the time lost meant that there was inadequate time remaining in the setup step to install any solutions prior to the commencement of the live trials.

**Limitations of Transaction Costing Study Report**

The Transaction Costing Study Report limited the extent to which the Evaluation and Review consultants were able to analyse the pilot project results. The consultants identified that there was an absence of appropriate baseline data. This was despite the fact that significant effort was expended at trial commencement, through the Transaction Costing Consultancy, to develop baseline cost information on current procurement cycles within the two participating agencies. The initial aim was to use this data to measure the outcomes of the pilot, that is, the cost changes that were achieved through the implementation of e-procurement initiatives that moved from a paper based purchasing and payment process to a more electronic process.
The Transaction Costing Study involved:

- Developing a model to cost the steps in the procurement cycle and guidelines for its use;
- Detailing the costs for each procurement cycle step used in each business unit involved in the trial in the two pilot agencies; and
- Detailing the total cost of the procurement cycle used in each business unit in the two pilot agencies.

Ultimately, the model applied for the TCS was found by the Evaluation and Review consultants to be inappropriate as a measure of the gains to be made from moving to e-procurement given the nature of the initiatives undertaken. Specifically, the model appeared to be more suited to assessing the gains from implementing an entire e-procurement system as opposed to the incremental e-procurement initiatives pursued by the trial agencies. Where necessary, this resulted in the evaluation and review consultants developing a qualitative analysis methodology that sought to rate the direction and magnitude of change experienced by the business units for the different procurement process components.

**Project Management**

**Project Resourcing**

Progress of the project was slower than expected due to unanticipated staffing issues:

- The DoE Pilot Project Manager changed three times during the project.
- The last DoE Project Manager did not have a good historical background and understanding of the procurement processes used within the agency.
- Planned resourcing levels within the DPAC project team were not maintained due to the combination of a staff member resigning after only four weeks and the time for undertaking the required staff selection process.
- The DPAC Project Manager changed during the project while the live trials were still being conducted in the pilot agencies.

**Changes in emphasis of oversight role by ICC to IASC**

The MOU contained two references to the Internet Commerce Committee (ICC):

- Section 2.4 (e) include oversight of project implementation by the Internet Commerce Committee; and
- Section 2.6 (e) a list of contributions to the project from the Internet Commerce Committee.

The ICC was established in 1999 to exchange information and research on Internet commerce developments and projects within and outside government in Tasmania. Throughout the Electronic Procurement Pilot Project (October 2000 – April 2003) the committee only met four times. Although the committee made some contributions to the project, it could be argued that they provided a minor oversight role.

In contrast, the Inter Agency Steering Committee (IASC) provided regular oversight of project implementation throughout the project as the project Steering Committee as documented in Section 3.3 of the *Project Business Plan* for the Electronic Procurement Pilot
The IASC met monthly during this period and received a written status report on the project for each meeting. The reports included details of:

- Summary of project performance;
- Achievement of milestones since the last report;
- Milestones planned for achievement in the next reporting period;
- Budget – actual vs planned;
- Changes in the risk profile; and
- Issues and recommendations.

The function of Steering Committee was performed by the IASC throughout the project, and therefore, despite the ICC not meeting often during the project, the project did continue to receive strategic oversight.

**Low priority / competing resources**

Any project which has resources assigned to undertake tasks on a part time or ad hoc basis, will usually suffer from competing priorities. The pilot projects were no different, with operational work often competing for the limited resources available.