

Electronic procurement across the New Zealand Government

In 2001, the government of New Zealand began a project called GoProcure to implement electronic procurement in government agencies. Government procurement spending in 2001 was about NZ\$1.25 billion, with more than 60% accounted for by the five largest departments. The project was managed by the E-Government Unit (EGU) of the State Services Commission. The head of the EGU estimated that GoProcure would bring at least NZ\$6.5 million in annual savings, and perhaps as much as NZ\$19 million. Capital costs were estimated at NZ\$4.8 million, plus NZ\$0.5 million in annual operating costs. The fundamental premise of the GoProcure business model was that it would be self funding. The EGU would pay for the pilot phase, but the whole project would ultimately be paid for from annual subscriptions by the agencies that agreed to participate in the project. Agencies, which following the State Sector Act of 1988 had been given extensive decision-making and expenditure autonomy, would be free to participate or not, as they wished.

The project

GoProcure was intended to allow government agencies to buy goods and services from on-line catalogues. Their orders would be sent automatically to suppliers, who would find dealing with government easier and cheaper. A request for proposal was issued in August 2001 and in April 2002 the EGU signed a contract with consultancy Cap Gemini Ernst & Young, who proposed using off the shelf Oracle procurement software. The final contract negotiated with the vendor was for NZ\$7.5 million over five years. This price represented a substantial reduction from the original bid of more than NZ\$20 million. One of the components sliced out during the negotiations was change management, which became the responsibility of the agencies themselves.

This case was written by Professor Michael Vitale, Monash University. It has been prepared as a basis for class discussion rather than to illustrate either effective or ineffective handling of a managerial situation. The case is based on "Go-Procure", ANZSOG case 2005-47.1

Cases are not necessarily intended as a complete account of the events described. While every reasonable effort has been made to ensure accuracy at the time of publication, subsequent developments may mean that certain details have since changed. This work is licensed under Creative Commons Attribution-NonCommercial-NoDerivatives 4.0 International Licence, except for logos, trademarks, photographs and other content marked as supplied by third parties. No licence is given in relation to third party material. Version 29-06-2009. Distributed by the Case Program, The Australia and New Zealand School of Government, www.anzsog.edu.au



It was initially difficult to obtain information about procurement spending and practices across the public sector. Some of the people who had that information were worried that there was going to be a move to centralised procurement, which they saw as a potential threat to their jobs.

The GoProcure project was divided into two phases. A NZ\$250,000 pilot phase involving workshops and demonstrations with five agencies would run from April to September 2002. If the pilot was judged successful, the operational phase would go ahead. Proceeding to this phase was conditional on enough agencies committing to use the system to meet its full costs over five years. The EGU projected that a total of 89 agencies would potentially use GoProcure.

As it turned out, the pilot ran only in June and July. The original plan for a full pilot with live transactions in five agencies proved too costly, and instead the EGU held workshops with 57 agencies to demonstrate GoProcure and discuss its benefits and costs. After the workshops, the agencies were required to prepare their own business cases, gain internal approvals, and commit to using GoProcure by 31 August. This timeframe was seen by many agencies as too tight. By the end of August, it appeared that there would be insufficient users to generate the revenue required for GoProcure to proceed further.

Therefore in August 2002 the project was rescoped to include just six agencies in the initial operational phase. It was expected that the first agency would go live by the start of May 2003, with all six agencies live by June. At the same time, the EGU would work with other agencies to gain their future commitment.

By November 2002, the new plan was not going well. The EGU reported to its Minister that there were technical problems, poor performance by Cap Gemini, and agencies not prepared for the degree of change required. In addition, some agencies had discovered that the software did not allow users the independence they had expected. By April 2003 the “go live” date for the first agency had slipped to the end of May. This date too was missed, and by June 2003 only two of the original six agencies were still participating in the project, neither of which had made a firm commitment to enter the full operational phase. By December, NZ\$2 million had been spent on GoProcure, and no agency had as yet begun to use the software.

The outcome

In early December 2003 Trevor Mallard, the State Services Minister, recommended to the New Zealand Cabinet that the GoProcure project be cancelled. He had become convinced that not enough government agencies were ready for e-procurement to make GoProcure work. By the time more agencies were ready to use GoProcure, there would be other alternatives to provide e-procurement services, and it might not be necessary for the government to provide leadership in this area.

The project had deliberately been broken down into a number of distinct phases and decision points, and GoProcure was formally wound up by exercising the government’s right to cancel the project at certain points without penalty. Although it never handled any actual procurement transactions, GoProcure was seen as having had some positive

impacts on public sector procurement practices by requiring agencies to focus on procurement to a degree many had not done before.

There was considerable discussion about whether Trevor Mallard should have used his ministerial powers to require government agencies to participate in GoProcure. To mandate use of GoProcure, Mallard had to be sure that the system would work, and already by November 2002 he was concerned that GoProcure would fail. Whether this pessimism was driven by a perception of GoProcure's technical limitations, by the agencies' unwillingness to embark upon the extensive organisational change it would require, or by a lack of support for collaborative whole-of-government projects in general, the concern that GoProcure would fail gained momentum. As that message went through government, it may have become a self-fulfilling prophecy.

Discussion Questions

1. The GoProcure project did not reach its original goals. What do you think were the main reasons for this outcome? In retrospect, what, if anything, could have been done differently to achieve a better result?
2. Should Trevor Mallard have used his power to make the use of GoProcure mandatory across the New Zealand government? Why/why not?
3. What makes cross-agency projects difficult? What can be done to overcome these difficulties?
4. GoProcure had some built-in exit points, and the New Zealand government used one of these to stop the project without penalty clauses. Do you think such exit points are, overall, a good idea? Are there any disadvantages, and if so what could be done to reduce these disadvantages?