

## Chapter 5.9

# Managing E-Procurement in Public Healthcare: A Knowledge Management Perspective

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### ABSTRACT

In large parts of Europe, the development of healthcare is subject to contrasting forces: explosion in spending, while governments are faced with budget constraints, and pressures to be innovative, technologically advanced in order to improve the services' quality. Even though e-procurement initiatives can be seen as a solution to the first issue in this dilemma, such initiatives have not been widely deployed and have not delivered the expected benefits so far. In this perspective, as case study of an e-procurement implementation of an Italian local healthcare agency has been examined because of the comprehensive design of the e-procurement system, the differentiation of tools adopted and the multiple solutions already implemented or in progress. The aim of this work is to reconstruct, by following a knowledge management approach, the steps that led to the

introduction of e-procurement as a new operating practice, by redesigning supply purchasing, supply chain and logistic processes.

### INTRODUCTION

In large parts of Europe, the development of healthcare is subject to contrasting forces. On the one hand, there has been an explosion in spending and, at the same time, governments are faced with strict budget constraints. On the other hand, public healthcare is under pressure to be innovative, technologically advanced and to provide increasingly better quality of services. In this context, e-procurement can be seen as an instrument for providing solutions to the first issue of this dilemma. Two recent European directives 2004/18/EC and 2004/17/EC, according to the i2010 eGovernment Action Plan, promote e-procurement to achieve significant efficiency

improvements – also in public healthcare – by reducing at the same time purchasing and administrative costs.

However, e-procurement initiatives in such area have not been widely deployed, and most of them have not fully delivered the anticipated benefits, so far. The main reason for the lack of tangible results is the traditional resistance of public institutions to IT-based process innovation and the complexity of healthcare procurement – in terms of the variety of goods, specificity, and of suppliers' numbers – that requires different supply processes and diverse competences.

In order to investigate this scenario in more detail, the case study of a large e-procurement implementation at an Italian public Local Healthcare Agency (LHA – Azienda Sanitaria Locale, ASL), considered one of the most advanced by the Central Procurement Agency (CONSIP), was explored. This case study is remarkable because of the comprehensive design of the e-procurement system, the differentiation in adopted tools, the robust testing (since 2000) and the multiple solutions already implemented and in process within the Agency. The decision to examine this case study is also due to the fact that the use of e-procurement tools is seen as only one aspect of a more profound reorganization of the entire supply process.

The purpose of this work is to reconstruct – by performing interviews with some of the most representative players and examining documents and previous studies on this case – the managerial interventions that made this innovation possible and in particular how knowledge has been managed in this innovative programme. From this perspective, it was presumed that the introduction of e-procurement and the reorganization of purchasing, supply chain and logistical processes, had required diverse knowledge which has been investigated at the cognitive level, the organizational level and the social and institutional level of knowledge, proposed by Lam (2000).

Distinguishing between individual knowledge

and knowledge related to a specific social context, this approach gives a comprehensive picture of the concept of knowledge. Furthermore, this perspective is helpful to examine the realities of Public Administrations (PAs) like LHAs, which are characterized by the importance of rules and procedures and by hierarchical organizational structures. Lam's extensive references to Mintzberg's classic studies (1979) is important in this point, as the organizational forms singled out by Mintzberg fit very well in the PA area, reinforcing the accurateness of this analysis.

## **RESEARCH STRATEGY**

The research question of this work concerns the dissemination of innovation and primarily its adoption. The focus is on the ability of a specific organization to adopt an innovation and on the elements that facilitate or hamper such adoption. In other words, the issue is the impact, at an organizational level, that the introduction of innovation produces, and its possibility to be absorbed and managed.

At the basis of this investigation there is the concept of knowledge, as the element that characterizes an organization, both before the innovation introduction and after it. Therefore, a specific aspect to take into consideration is the meeting of established knowledge and the new one enabled by innovation.

The research strategy adopted to study the dynamics between established and new knowledge is based on a case study, which concerns innovation related to the introduction of a widespread e-procurement at Viterbo's Local public Healthcare Agency. Because of its tendency towards innovation, as seen by the implementation of several e-procurement projects in recent years, the LHA of Viterbo can be considered to be an explanatory case study (Yin, 2003). The analysis of such a case study provides answers which throw light on how and why innovation dissemination

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