A Success Model for the Malaysian Government e-Procurement System: The Buyer Perspective

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ABSTRACT

In Malaysia, there has been a tremendous effort in implementing e-government as a national agenda to increase public transparency, improve sector efficiency and effectiveness, and reduce public expenditure through lower operational costs. One of the e-government applications is the ePerolehan, a government-to-business (G2B) system that enables online public procurement coordination and transaction between government and businesses. However, there has been a lack of empirical research findings in evaluating the success and actual value of the system and understanding the usage factors among government users. Hence, this research was undertaken to investigate the level of ePerolehan system success and the factors that contribute to this success, as perceived by the government users. The structural equation modeling results suggest the use of the Malaysian public e-procurement system has significant and positive influence to success, measured as transparency, service performance, efficiency, and information quality. The results also indicated that the main significant success factors of the ePerolehan system are found to be system compatibility, user attitude, organizational learning, mimetic pressure, and supplier expectation. The findings provide several important implications not only for the government-to-business discipline, but also for e-government research and practice.

Keywords: Government-to-Business (G2B), Public e-Procurement, Public e-Procurement Success, Public e-Procurement Use Factor

INTRODUCTION

The Internet age and the vision to be a developed country have initialized Malaysia to reform the government administration that enable for automated interactions with other government agencies, businesses and citizens via e-government applications. While there seem to be a number of e-government activities, the one that gives the most significant impact to the Malaysian administration, social and economic structure is the public e-procurement system, known as ePerolehan. The decision to automate the public sector business processes via ePerolehan is seen
among others as a mean to improve transparency and service quality (Zaaba, 2008).

*ePerolehan*, was first initiated in 1999 with the aims to streamline public procurement processes and improve the quality of services. The missions and goals of *ePerolehan* are to improve transparency, to provide a more economical operation and to offer a user friendly system (Zaaba, 2008). *ePerolehan* is a multi-buyer, multi-supplier electronic procurement domain, which allows government agencies to function as independent buying entities under a single buying organization. It provides a standard procurement method for both goods and services following the government’s procurement policy and procedure (Rashid, 2007). With the system, purchasing interactions and transactions between the federal government users as the buyers and the suppliers as the sellers can be conducted online.

The system is administered and managed by a unit in the Ministry of Finance, known as the ePerolehan Unit. In general, the unit is responsible for system monitoring, implementation and maintenance, data centre operation, user training, technology transfer and policy and procedure implementation. Two main users of the system are federal government agencies as the buyers and business organizations as the suppliers. Seven modules encompass the *ePerolehan* functions, which are supplier registration, central contract, direct purchase, quotation system, tender system, ministry contract and e-bidding.

From the research perspective, although the Malaysian administration has succeeded in convincing the business organizations and federal government agencies to accept and use the *ePerolehan*, the extent to which the actual success has been achieved remains scarce. This may be due to its maturity level. Nevertheless, few studies were conducted to gauge the adoption and acceptance level from the two perspectives. Mohd. Salleh, Rhode and Green (2006) are probably one of the first researchers who explored the *ePerolehan* adoption. Their study’s focal point is on the enacted capabilities of small and medium size enterprises. Top management information system skills and knowledge, and trust in trading partners were found to dominate the effect on adoption among business suppliers. Another research in the area was conducted by Kaliannan, Awang and Raman (2007) who investigated the acceptance of *ePerolehan* among individual business users. While both studies focused on the business organizations, an attempt was made by George (2007) to examine factors that relate to the *ePerolehan* acceptance among government users. Although the study discovered system quality, information quality, service quality, perceived usefulness and facilitating conditions as the factors that influence *ePerolehan* acceptance, there was no indication of the success investigation. Besides, thus far reports based on empirical studies have not mentioned on the success of the *ePerolehan* implementation. Therefore the study is aimed at examining and testing the stated goals of *ePerolehan* and investigating the determinants of its success from the viewpoint of government organizations as the buyer.

In this paper, we present a framework which clarifies the function of public e-procurement system. Next, we discuss on the information system success and a model that has been used extensively to evaluate the values and benefits of information systems. This provides a basis for introducing a proposed success model for the Malaysian government e-procurement system.

**REVIEW OF RELATED LITERATURE**

**E-Procurement System in the Government Administration**

The electronic procurement (e-procurement) is a type of business-to-business (B2B) application, in which acquisitions of goods and services for organizations is conducted electronically (Chang, Markatsoris & Richards, 2004). The key purpose of turning traditional procurement to electrical conduct is to improve the coordination and management of all purchasing activities (Turban, King, Lee & Viehland, 2006). In traditional procurement, problems such as inefficient buying, redundant and disconnected processes,
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