Chapter III

E-Procurement Success Factors: Challenges and Opportunities for a Small Developing Country

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Abstract

This chapter introduces e-procurement as a strategic tool for organizations’ competitive position in the new information economy. It argues that e-procurement is significantly changing the ways businesses operate and thus new business models are needed. E-procurement success factors that have to be considered are: cost factors, time factors, process simplification factors and the volume of e-transactions factors. By gaining understanding of the most important e-procurement factors, organizations have to organize themselves in a way that ensures success. Furthermore, author hopes that with knowing such factors, organizations will be able to better prepare for e-procurement and thus operate successfully and thus be able to compete in the global market.
Definition of E-Procurement

E-procurement deals with the linking and integration of inter-organizational business processes and systems, and commences with the automation of the requisitioning, the approval purchase order management, and accounting processes through an Internet-based protocol. To understand e-procurement, it is also important to achieve common understanding of some other terms, scopes, and relationships. Relationships between the most important terms used in the field of e-procurement are shown in Figure 1.

Purchasing process is a narrowly defined process within the procurement process and refers to the actual buying of materials and those activities associated with the buying process (Kalakota & Robinson, 1999). An extensive term relating to the procurement process is a supply chain. A supply chain includes business partners (suppliers, manufacturers, distributors, retail outlets, and customers) that use transactions to purchase, convert/manufacture, assemble, or distribute products and services to the customers or end users (Komp Leonard, 1999). A supply chain consists of the paths reaching out to all of the suppliers of parts and services to an organization. A supply chain consists of an organization’s suppliers and its suppliers’ suppliers as well (Haag, Cummings, & McCubbrey, 2002).

Buyer and supplier are business partners in the e-procurement with cardinality of 1: n, which means that one buyer may have several suppliers (Shaw, Blanning, Strader, & Whinston, 2000). Conversely, the relationship among

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Figure 1. Relationships between the most important terms used in the field of e-procurement
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