

Company Readiness towards e-Procurement Adoption: A Case of Gemilang Trader

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Abstract

The Malaysian Government has been taking many initiatives to upgrade and enhance the e-Procurement system in Malaysia in order to increase the online transactions adoption and sustain the quality of bidding transactions among suppliers. Based on Malaysian Public Sector Information and Communication Technology (ICT) Strategic Plan (2016-2020), one of the main targets is to increase the online e-Procurement system to above 90% of transactions via online by 2016 onward. The objective of this paper is to explore the readiness towards e-Procurement adoption by Gemilang Trader. The case finding is expected to be of help to further enhance and increase the e-Procurement adoption rate among company's management and staff. Among the major problems regarding company readiness towards e-Procurement adoption are the lack of financial resources, technical compatibility, lack of staff readiness towards e-procurement complexity and lack of technical competence among employees. Data for this study was collected using interview and survey.

Keywords: e-Procurement, financial readiness, staff readiness and technical compatibility

1.0 Introduction

E-Procurement has become a very fascinating and controversial issue previously in the Malaysian business environment. The Malaysian Government has been taking many initiatives to upgrade and enhance the e-Procurement system in Malaysia in order to increase online transactions adoption and sustain the quality of bidding transactions among suppliers. Based on the Malaysian Public Sector Information and Communication Technology (ICT) Strategic Plan (2016-2020), one of the main targets is to increase online e-Procurement system to above 90% of transactions via online by 2016 onward.

E-Procurement is the automation of the buying and selling process, providing an efficient and effective way for the firms to obtain goods to ensure the supply of purchased

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items is delivered in full, on time and to specification (Eadie, Perera and Heaney, 2010; Calipinar and Soysal, 2012; Ketikidis, Kontogeorgis, Stalidis and Kaggelides, 2010; Teo and Lai, 2009). On top of that, e-Procurement is the official and secure online e-marketing platform, especially for the suppliers and government agencies (Calipinar and Soysal, 2012; Colesca and Dobrica, 2008; Eadie et al., 2010; Neef, 2001). Additionally, e-Procurement provides the link between buyers and sellers in secured transactions (Kaliannan and Awang, 2008). In 1999, the Malaysian Government approved Commerce Dot Com Sdn. Bhd as an e-procurement concessionaire, who is responsible for managing government e-Procurement services. The e-Procurement system consists of seven modules; (1) Supplier Registration (2) Central Contract (3) Ministry Contract (4) Direct Purchase (5) Quotation (6) Tender and (7) e-Bidding. The modules were implemented in stages and currently it is at the e-Bidding stage.

On 6th October 2000, two e-Procurement modules were launched which are the Supplier Registration and the Central Contract. Next, the Direct Purchase module was launched on the 10th May 2002 (Commerce Dot Com, 2010). The Quotation and Tender modules were launched on the 27th May 2003. The e-Bidding module was implemented in September 2006 and finally, the last module, Ministry Contract (Commerce Dot Com, 2010). Although e-Procurement offers quite a lot of benefits and advantages to the public and private sectors in terms of cost reductions, competitiveness, effectiveness and efficiency, the shift to the e-Procurement system needs enormous investments in terms of innovative tools and networks (Bertot, Jaeger and Grimes, 2010; Cabras, 2010).

In the e-Procurement transaction, all business, which supplies services or products to the government departments or agencies are called “suppliers”. From the perspective of the suppliers, the term adoption in this case paper refers to subscribing, obtaining and utilizing e-Procurement system in business transactions. The objective of this paper is to assess the company readiness towards e-Procurement adoption in Gemilang Trader. The next sections of the paper discuss the process of adopting e-Procurement in a company (Gemilang Trader), followed by the company readiness towards e-Procurement adoption then the conclusion in the final part of this paper.

2.0 Methodology

Data for this study was collected using interviews. The interviews conducted in this paper involved the top and middle management of the company namely the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO). The middle managers are the Information Technology Manager, Procurement Manager and Human Resources Manager. The managers were very cooperative during the interview sessions.

3.0 The Adoption of e-Procurement in Gemilang Trader

Gemilang Trader is a Malaysian leading stationeries company that operates in Ipoh, Perak. The Gemilang Trader is committed to offering convenience, value, efficiency

and economic products to retail customers, businesses and the Malaysian government agencies since 1995. The Gemilang Trader is chosen for this study because it is one of the youngest e-Procurement subscribers that subscribed to the system after the rules were imposed by government.

Officially, Gemilang Trader started e-Procurement in 2009 when they have to register for e-procurement in order to renew the business licence that is after ten years of the e-Procurement development in Malaysia. E-Procurement enables Gemilang Trader to register and renew their registrations with the Ministry of Finance (MoF) via the internet. In addition, Gemilang Trader can submit their application, check the application status and pay the registration fees through e-Procurement. By utilizing e-Procurement system, the Gemilang Trader's top management believed that the company could sustain its competitiveness in the business. E-Procurement offers many benefits to supplier such as Gemilang Trader.

In order to ensure sustainability and remain competitive, Gemilang Trader must ensure that their market are managed effectively, which can be achieved by adopting effective e-Procurement systems. The primary purpose of having e-Procurement systems is to help Gemilang Trader make appropriate decisions, which serves as an integral part of strategic management in secure online e-marketing platform. One of the major concerns in strategic management is competitiveness, which is mainly the concern of Gemilang Trader in order to ensure sustainability in the current market. Thus, it is important for the company to fully utilize the e-procurement system. However, some readiness issues arise in the adoption process. Among the major problems during the e-Procurement adoption in Gemilang Trader are lacks of financial readiness from the Gemilang Trader management, problems with technical compatibility, lack of staff readiness towards e-procurement complexity and lack of technical competence among employees. The section below explains the issues.

3.1 Lack of Financial Readiness

Financial readiness is defined as financial resources available for information technology adoption such as paying for installation costs, implementation of any subsequent enhancements and ongoing expenses during technology implementation and adoption (Iacovou, Benbasat and Dexter, 1995). The most important aspect during the adoption of any information technology application is the cost and the cost of e-procurement adoption is quite expensive. To be qualified as eP enabled, the suppliers have to follow the following five steps: to register with MoF via eP system, complete equipment ePXS/ MyKad/MyeP eP system and Smart Card Reader, provide infrastructure, attend e-Procurement workshop and finally provide e-Catalog and each stage requires cost. Thus, Gemilang Trader had to invest certain amount of money in order to be an e-Procurement enabled company. The top management of Gemilang Trader identifies the issues of expensiveness in maintaining e-Procurement in their business transactions.

“Normally, when the firms receive e-payment, they incur compulsory charges and commission to Commerce Dot Com 0.08% from the total transactions or maximum RM 9,600 for every transaction but exclude in special case decided by Ministry of Finance (MoF). This reduces total profit of the company” Accountant, Gemilang Trader.

3.2 Technical Compatibility

Compatibility is the degree to which an innovation is perceived as consistent with the existing values, past experiences and needs of potential users (Rogers, 2003). Moore and Benbasat (1991) defined compatibility as the degree to which an innovation is perceived as being consistent with the existing values, needs, and past experiences of potential information technology users. In addition, Rajaguru and Matanda (2012) states that there are three types of compatibility namely the cultural compatibility, technical compatibility and strategic compatibility to enhance the capabilities of supply chain in the procurement process.

Result of this study found that the issue of technical compatibility exists in Gemilang Trader. Technical compatibility is defined as the ability of two systems to work together and well organized without having to be modified to do so. Compatible software applications normally use the same data formats between two systems and support each other. For example, if word processor applications are compatible, the user should be able to open their document files in either system. Compatibility can refer to interoperability between any two products, hardware and software, products of the same or different types, or different versions of the same product. In this case, the UBS system of Gemilang Trader should be compatible with e-Procurement system. During the interview with Chief Executive Officer of Gemilang Trader, he mentioned that:

“My staff always not ready and fail to handle the e-Procurement technical issues.... sometime our hardware and software cannot support e-Procurement systems even when the internet is in good coverage, something wrong somewhere, maybe technological compatibility...may be...other things” Chief Executive Officer, Gemilang Trader.

This result is supported by Malik (2011) who mentioned that the compatibility of a system innovation with the user needs would reduce the uncertainty among the users and increase adoption rate. If there is a minimum need for change to the current information system used in the company in the e-Procurement adoption process, thus the compatibility of the two systems is considered high. Ifinedo (2011) found compatibility influenced the company readiness in e-business adoption among Small Medium Enterprises (SMEs) companies in Canada.

3.3 Lacking of Staff Readiness towards e-Procurement Complexity

Majority of the Gemilang Trader's staff were not ready to adopt e-Procurement because they were not confident with the systems and need more training regarding the system. They argued that the e-Procurement system is quite complex and not really user friendly.

“e-Procurement is not user friendly and I need extra time to prepare for the function provided... may be we need extra training from the Commerce Dot Com. Please give me more time to adopt e-Procurement system....” Sale Executive, Gemilang Trader.

Due to the complexity of the e-Procurement system, the Gemilang Trader staff had spent more time to perform e-Procurement tasks and to integrate the existing data from their current UBS system into the new system. Complexity refers to the degree to which the suppliers expect the technology to be free of effort (Abid, Rahim and Scheepers, 2011; Hui, Shang-Jiun, Chun-Chieh and Chih-Hsiang, 2011). According to Rogers (2003), complexity is defined as the degree to which an innovation is difficult to understand and to use. Researchers found that when e-Procurement system is more complex, it will have negative effect towards the e-Procurement adoption rate. The more complex an innovation is, the lower the rate of information technology adoption (Al-Hudhaif and Alkubeyyer, 2011; Malek and Nik Kamariah, 2011). In the context of adoption, the easier to understand an innovation is, the faster it will diffuse among the firms (Al-Hudhaif and Alkubeyyer, 2011; Ifinedo, 2011). Since Gemilang Trader faced problem with the e-Procurement system, the management should provide more training and workshop from the internal expert group such as Information Technology (IT) department. In addition, to ensure the effectiveness and efficiency of the adoption of the e-Procurement, the IT department should have enough staff to support their colleagues in the company, which will also lead to increase in costs.

3.4 Lack of Technical Competence

Technical competence is defined as an understanding of the technology involved, the engineering tools and techniques employed, product applications, technological trends and evolutions and the relationship among supporting technologies (Chan, Shukla, Tiwari, Shankar and Choy, 2011). The employees were not really aware and engaged with the e-Procurement system. They lack IT skills and knowledge and depend on the IT department. In Gemilang Trader, the limited number of staff in its IT department are not able to support the Gemilang Trader staff to use and adopt e-Procurement in their daily transactions. In this case paper, technical competence can be divided into three sub terms, namely, IT infrastructure, IT expertise and Business to Business (B2B) know-how (executive skill of managing e-Procurement). In another paper by Soares-Aguar and Palma-dos-Reis (2008), they stated that technical competence comprise of physical assets and intangible resources.

Normally, the suppliers with higher level of technical competency prefer to use e-Procurement. The Gemilang Trader should have competent staffs, so that the internal team can maintain and implement technology and innovation such as e-Procurement in the firms and eventually contribute to cost reduction. Wang (2005) suggested that the lack of technical competence is one of the key barriers to the success of e-business in China.

4.0 Conclusion

In conclusion, the success of e-Procurement adoption is influenced by various factors such as lack of financial readiness, technical compatibility, lack of staff readiness, e-procurement system complexity and lack of technical competence among employees. Therefore, the support from the government is crucial to reduce the technical, legal and managerial barriers, including technical complexity and financial cost is crucial to increase the adoption of e-Procurement system (Bertot et al., 2010; Chang and Wong, 2010; Eadie et al., 2010; Mettler and Rohner, 2009; Moon, 2005). Kusuma and Pramunita (2011) advised that when e-Procurement is compatible with the firm's software and hardware, the level of e-Procurement adoption among suppliers will usually increase. Commerce Dot Com has to increase the engagement with the traders and suppliers to support the adoption rate of e-Procurement. This study suggests that the government could offer certain incentives and subsidies to motivate e-Procurement users for long-term period especially to loyal e-Procurement users for complying with government rules and regulations. In future, government could provide free training on e-Procurement system services to Malaysian suppliers to increase e-Procurement adoption if the benefit received from it is more than the cost. For instance, it was found in a previous paper that workshop training and policies by government promote and support the adoption rate of e-Procurement (Bertot et al., 2010; Walker and Harland, 2008). On the other hand, indirect challenges of e-Procurement adoption such as infrastructure issues and extent of integration, internal support structures and mechanisms (Cabras, 2010; Calipinar and Soysal, 2012) should also be considered.

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