E-PROCUREMENT: THE FUTURE OF PURCHASING MANAGEMENT

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Abstract
Nowadays, IT has a major influence on commercial activities, accelerating the adoption of e-procurement and e-marketplace participation in many industries. E-procurement is becoming popular in business practice and its benefits encourage its adoption. This article aims to outline the important role of the E-procurement for the future of purchasing management. In the first part of the paper we made a literature review about the impact of the new discoveries on purchasing. Next, we present the main benefits that E-procurement can provide to organizations structured in a matrix according to their recipients. The paper ends with conclusions and recommendations for managers.

Keywords: E-procurement, purchasing management, benefits

Introduction
Many studies show that IT industry has become lately a fundamental part of modern economies (Arbin, 2002; Croom, 2005). Electronic business has changed the way organizations communicate and interact with each other. Lederer et. al (2001) suggested that an organization can use E-procurement to create strategic advantage through improved customer relationships resulting from greater business efficiency and better information access and flexibility. As the information society evolves, the need to understand E-procurement practices becomes more important. This article aims to present the important role of the E-procurement for the future of purchasing management. The paper starts with a literature review about the impact of the new discoveries on purchasing. Next, we define E-procurement. Furthermore we present the main benefits that E-procurement can provide to organizations. We structure the benefits of E-procurement in a matrix according to the recipient of the benefits. At the end of the paper we draw conclusions and we elaborate guidelines for managers.

Literature review
The new discoveries from the international business environment have a strong impact on the purchasing. Globalization of trade, changing consumer requirements and the advent of information technologies are some of the most important changes that affect purchasing. Globalization of trade and increased international competition are considered to be consequences of the following factors: cross-cultural mixing, improving transport,
revolutionary discoveries in the field of IT. An important consequence of these findings is not only increasing the number of potential customers, but also increase the number of potential suppliers. Because of increasing diversity of products, consumers become more sophisticated and their needs are changing. This translates into a continuous pressure for organizations to create competitive products. As a result, organizations will transfer the pressure faced by consumers to their suppliers. Therefore, choosing the best supplier is becoming increasingly important, but also more difficult because many factors have to be taken into account. Nowadays, the advent of information technologies has a major influence on commercial activities, accelerating the adoption of E-procurement and E-marketplace participation in many industries. Croom (2005) considers that E-business development in the supply chain management follows five stages of evolution:

1. In the first stage firms use emails and website to gain improved access to customers and markets
2. In the second phase, the emphasis is on the management of customer relationship
3. Next stage represents the utilization of e-business systems to support operations process management
4. The fourth stage includes a move to integrated e-supply chain management and greater management of total costs of purchasing
5. The last stage emphasis integrated e-supply chain management such as global

Cousins and Lamming (1997) consider that the evolution of purchasing to a strategic function of the organization has been driven by improvements in information technology, globalization of businesses and the need for organizations to become truly lean in order to remain competitive.

E-procurement: the future of purchasing management

E-procurement is defined in many ways by researchers and practitioners. For example, Croom and Brandon-Jones (2007) define E-procurement as: the “use of integrated (commonly web-based) communication systems for the conduct of part or all of the purchasing process; a process that may incorporate stages from the initial need identification by users, through search, sourcing, negotiation, ordering, receipt and post-purchase review”. Morris et al. (2000) considers that “e-procurement is a series of steps – from the formulation of the purchasing corporate strategy to the actual implementation of an Internet-based purchasing system”.

No matter how is defined, E-procurement can offer many potential benefits to organizations. The main benefit of E-procurement reported by several researchers (Croom and Brandon-Jones, 2007; Arbin, 2002) is reduced costs through various ways, including the followings: improved internal efficiency, cut supplier costs, reduce order error rate, minimized ‘maverick’ buying, etc. Based on a literature review we tried to summarize the main benefits offered by E-procurement (see figure 1).
We classified the benefits of E-procurement according to their recipients and we obtained four main categories of benefits:

- Management benefits
- Suppliers benefits
- Operational purchasing benefits
- Strategic purchasing benefits

The most important benefits for management offered by E-procurement are: greater management influence and control over the purchasing process and improved management information across all areas of purchasing.

From the suppliers benefits we mentioned: improved relationships with the buyers, cost and time savings, reduction in paperwork and duplicated records.

We included the following benefits in the category of operational purchasing benefits: costs and time savings, reduced inventory level, reduction in paperwork and duplicated records.

From the strategic purchasing benefits we mentioned: increased purchasing power and profit margin, improved efficiency and gaining competitive advantage.

<table>
<thead>
<tr>
<th>Management benefits</th>
<th>Suppliers benefits</th>
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<tr>
<td>- improved management information across all areas of purchasing</td>
<td>- improved relationships with the buyers</td>
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<td>- greater management influence and control over the purchasing process</td>
<td>- cost savings</td>
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<td>- better control of “maverick” spend and better use of corporate contracts</td>
<td>- time savings</td>
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<td>- reduction in paperwork and duplicated records</td>
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<td>- bills are paid on time and more quickly</td>
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<td><strong>Operational purchasing benefits</strong></td>
<td><strong>Strategic purchasing benefits</strong></td>
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<tr>
<td>- cost savings</td>
<td>- increased purchasing power</td>
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<tr>
<td>- time savings</td>
<td>- increased profit margin</td>
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<tr>
<td>- reduced inventory level and inventory costs</td>
<td>- improved efficiency of the purchasing process</td>
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<td>- reduction in paperwork and duplicated records</td>
<td>- gaining competitive advantage</td>
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Figure 1: The matrix of E-procurement benefits
Conclusions

This article wants to draw the attention of researchers and managers on the tremendous potential of E-procurement to provide benefits to the organizations. Based on a literature review we summarized the main benefits provided by E-procurement.

The use of traditional procurement systems is recognized for their lack of prompt information and their excessive complexity, all of these factors leading to waste of time and money.

E-procurement is promising to solve these problems by streamlining processes, providing timely information and improving coordination and collaboration, all these leading to cost savings and economies of time.

Nowadays, managers should not ask themselves if they should adopt E-procurement, instead they should think how to implement it in order to obtain the maximum benefits.

In spite of the many benefits of E-procurement mentioned, the extent of E-procurement adoption in European Union is below expectations. This low rate of adoption is due to the comprehensive list of barriers for E-procurement implementation. The list comprise: risk, uncertainty from suppliers, cultural differences, staff resistance to change, catalogue content readiness, etc.

The identification of the main barriers of implementing E-procurement is fundamental for managers in order for them to be able to facilitate the implementation process.

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References: