

# Chapter 16

## Perceived Benefits from a Local Government Public Procurement Initiative: A Diffusion of Innovation Perspective

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### ABSTRACT

*In recent years, government organisations are expressing a growing interest in the uptake of eProcurement systems in order to achieve many of the benefits that their counterparts in the private sector have reported. These systems represent a specific instance of internet-based inter-organisational initiatives that streamline organisational purchasing processes and facilitate electronic exchange of transactions and other procurement related documents between organisations and their suppliers. Although some literature exists on the adoption of e-procurement systems within the government sector, relatively little has been focused on the outcomes of these systems particularly within the Australian local government context. Furthermore, much of the attention of the existing eProcurement literature is on understanding adoption decisions of these systems from the perspective of senior management, and few research efforts have been made to examine how employees who actually use these systems perceive the benefits arising from these systems. In addition, although the role of demographic characteristics of users is recognised in the innovation adoption and broader IS/IT adoption literatures, it is not clearly known how the demographic characteristics of employees (who interact with such systems) may influence their perceptions about eProcurement benefits. To address this gap in the literature, we analyse the views captured from sixty employees working in three large city councils located in the state of Victoria, Australia. The findings indicate that the outcomes of eProcurement systems adoption were largely seen in a positive light as the employees reported favourably about the attainment of benefits from their use of these systems.*

DOI: 10.4018/978-1-60960-768-5.ch016

*More specifically, efficiency improvement and establishing control were perceived as the two most important benefits. However, except user type, popular demographic characteristics of employees (e.g. gender, job role, working experience at councils) were not related to their perceptions of eProcurement benefits. These findings offer limited support for the views expressed in the existing innovations and IS/IT adoption literatures. The implications of these findings are discussed, and future directions of research are proposed.*

## **INTRODUCTION**

Inter-organisational systems which connect two or more organisations electronically come in several forms. One important application of such systems is known as e-procurement which automates the labour-intensive procurement function of organisations and facilitates transactions and information exchange between organisations and their suppliers. In particular, eProcurement refers to the application of e-commerce technologies to an organisation's purchasing activities (Garrido-Samaniego et al, 2010). When properly employed, these technologies can deliver considerable benefits (Attaran, 2001). For example, General Electric (GE) - a multinational manufacturing electrical and electronic manufacturing company, benefited from the use of web-based procurement systems in terms of shorter bidding process, reduced purchasing price, and availability of worldwide suppliers (Watson et al, 2000). Likewise, Cathay Pacific Airways saved \$38 million annually by adopting an Oracle Internet Procurement solution (Farhoomand, 2001). Motorola, another renowned telecommunication manufacturing giant, is reported to have made a savings of \$2.5 billion dollars on its goods and services acquired through an Internet-based e-Procurement system (Schneider, 2006). The wide publicity about eProcurement benefit stories has generated a strong interest on the part of the government agencies to introduce these systems. Moreover, the need to introduce greater levels of transparency into the procurement practices (Ancarani, 2005; Singer et al., 2009) has further fueled the government sector's interest to consider adopting eProcurement systems. According to Wirtz et al (2010), local

government agencies too regard it important to introduce eProcurement technologies largely due to considerable decline in their income and growing pressure to optimise costs. Likewise, Padhi and Mohapatra (2010) reported a rising trend of the application of eProcurement systems in industry and government departments alike.

In the recent years, several initiatives have been reported to promote the notion of eProcurement within the government sector. For example, in the European Union, eProcurement in the government sector came into public focus as it was recognised to have a potential to improve efficiency, transparency and the opening up of public procurement activities (European Union, 2005). In Hong Kong, the government has embarked on an eProcurement program to enable electronic transaction between suppliers and the participating departments in respect of departmental purchases of non-construction related goods and services up to \$1.43 million (2009). The Mauritius government signed a MoU with the Andhra Pradesh (AP) government of India to use AP's e-procurement platform for its projects and in its administration (2009). According to Vaidya et al. (2006; 2008) many government agencies worldwide consider e-procurement as a priority and have either implemented or are in a process of implementing buy-side eProcurement initiatives as part of their e-government agendas. For example, in Malaysia, the government has undertaken eProcurement project within the broader e-government initiative of its multimedia super corridor applications (Kaliannan et al, 2010). Even United Nations (UN) affiliated organisations are undertaking a variety of eProcurement projects (Walker and Harland, 2008).

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