

# Chapter 10

## Managing Purchasing with Different E-Procurement Solutions

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### ABSTRACT

*Increased demand from the market to carry out rapid business transactions has led many companies to seek to improve their regular business transactions. The progressive development of the internet in establishing a variety of electronic marketplaces has facilitated companies to move towards applying e-procurement technologies. This indirectly increases the competitiveness of companies due to well managed purchasing activities using e-procurement technologies. The strategic decision by the top management in implementing e-procurement technologies is mainly concentrated on managing the supply of external resources and preferred to focus on the implementation of green supply chain activities to increase the environmental performance with e-procurement technologies. With the spread of internet technologies, which led to changes in business strategy and its uses, companies will be provided with a digital platform for online business transactions. Therefore, business through electronic media (e-media) have the potential and power to transform business transactions and business relationships. E-procurement became the most important strategy for the business to purchase or procure goods or materials from global suppliers. Despite the claims on usability of e-procurement technologies, some companies however show little interest in applying e-procurement technologies because of the difficulty the companies to perform purchasing activities and other key aspects that influence the companies to exploit the technologies. As a major contributor to the growth of the agriculture sector, the Malaysia Palm Oil Industry (MPOI) should explore the potential of e-procurement and other relevant technologies to be exploited in the industry and enhance its competitiveness. The information on the applicability of e-procurement technologies for different types of materials at different stages of the industry supply chain will assist the industry players to achieve efficient purchasing activities. Hence, in this chapter the case study discussed will provide relevant e-procurement solutions with respect to the MPOI and will provide comprehensive purchasing activities of different types of products along the supply chain through e-procurement technologies.*

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## **INTRODUCTION**

This chapter begins with a brief discussion on issues in supply management followed by an explanation of the importance of Internet technologies application in supply management namely electronic procurement (e-procurement). Using Kraljic's purchasing model as a basis for a newly developed purchasing portfolio model by van Weele (2005), purchasing solutions based on different e-procurement technologies are highlighted. E-procurement normally includes a system for making purchases online. E-procurement as part of advanced Internet technologies has received much attention from industry players to exploit its advantages. Industries are now facing fierce competition and they need to have faster reflexes to lead today's competitive, ever-changing market. One of many ways to increase their competitive advantage is to have a well-managed purchasing activity and this can be carried out with the assistance of e-procurement technologies. Thus, the technologies are deemed to be a push factor to the industry players to move forward and increase the industry's competitiveness. To provide further understanding on the potential of e-procurement technologies application for purchasing activities, the Malaysian Palm Oil Industry (MPOI) is used as a case study in this chapter. Relevant e-procurement solutions in the MPOI for purchasing different types of products along its supply chain are comprehensively discussed in the chapter. The main objective of this chapter is to provide information on strategic purchasing approaches for different types of products. Based on van Weele's purchasing model, differentiated e-procurement solutions in the MPOI are suggested as a guideline for efficient purchasing activities in the palm oil industry supply chain to enhance competitive strategies.

## **BACKGROUND**

For the last decades, companies are struggling to improve their production activities. The optimum use of input materials in producing cost effective outputs is a common production objective established by many companies. Various purchasing strategies and approaches are used but some of these strategies have failed to show a good result. Thus, companies should not underrate the importance of purchasing and supply to their business. A strategic approach to purchasing and supply concentrates mainly on managing the supply of external resources. The allocation of external resources of a company must be in line with the top management's role as a decision maker. Companies' endeavor is to satisfy the needs of their customers and at the same time to meet their financial goals for high performance of the companies. Besides, suppliers are business partners who also play an important role in effective purchasing activities. They are important and their commitment to the companies is regularly assessed based on quality supplies, delivery, cost, and flexibility to meet requirements of both companies and customers. However, the success in dealing with suppliers depends on the established long-term relationship, which is an important element of companies' success. Further, developing a long-term relationship with established suppliers and maintaining the purchasing effectiveness through the utilization of Internet technologies is another element for continuous improvement and companies' success.

### **Issues in Supply Management**

Supply management refers to the various acts of identifying, acquiring, and managing the products and resources needed to run a business or other organizations. These include physical goods, information, services, and any other resources

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