Uncovering and Addressing the Challenges in the Adoption of E-Procurement System:
Adoption Process Stages in SMEs

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ABSTRACT

Small businesses have many challenges that must be resolved before adoption of e-procurement systems. The present study aims to understand the various financial, technological, educational, organizational, banking, and customers challenges in the adoption of e-procurement system in SME. Based on these challenges, this study has recommended how SME can adopt e-procurement systems. The study followed an interpretivist approach based on qualitative design using 30 non-directive and semi-structured interviews from the various stakeholders of SME. Results reveal the financial, technological, educational, organizational, banking, and suppliers' challenges in the adoption of e-procurement system. Findings emerged with various themes such as limited financial budget and support, high cybercrime rate and lower level of privacy, lack of e-commerce educational programs, and lower level of learning opportunities. Top management must address employee, financial, organizational, and educational challenges before adoption of e-procurement system in SME.

KEYWORDS

INTRODUCTION

Nowadays, researchers, marketing managers, and business leaders are searching for innovative ways to exploit e-business technologies for business purposes (Aguiar-Costa & Grilo, 2015; Azadegan & Teich, 2010). These latest e-business technologies have changed the pace, speed, and way of communication in workplace. For example, e-procurement can conduct transactions within short time, manages business relationships among organizations, suppliers, retailers, and wholesalers' efficiently and effectively (MohdNasrunMohdNawi, Roslan, & Harun, 2016; Bayazit, 2014; Kurnia, Choudrie, & Alzougool, 2015. E-procurement strives to lead better coordination and application of procurement resources to attain unified procurement operations culminated in enhancement of organizational performance (Howard, Vidgen, & Powell, 2010; Vaidyanathan & Devaraj, 2008; Vaidyanathan, Devaraj, & D'Arcy, 2012). E-procurement represents the communication and information technology which is being designed for facilitating the acquisition of products or raw materials by a commercial enterprise as well as governmental one through internet (Albano, Antellini Russo, & Zampino, 2015; Rahayu & Day, 2015). Traditional procurement process has may drawbacks such as time consuming, slow order processing, conventional process that contains many small and repetitive tasks, rigorous and unimportant paperwork for writing contracts, approvals, negotiations and bids (Gunasekaran, McGaughey, & Rai, 2009; Eskandarian, Marthandan, & Tehrani, 2016. On the other hand, the rule of success is if you save 5 percent of purchasing cost then it can increase your profit by 50 percent

and reduce your overhead costs by 20 percent. A previous study has highlighted that traditional procurement is proved expenses because it is taking greater employee's efforts, admin cost, plenty of ledgers, and time (Chan & Lee, 2003).

The basic objective to adopt e-procurement technology is to reduce transaction cost, increase the effectiveness in order placement, develop good connections with suppliers, reduce the level of paper work and time to order inventory, reducing the purchasing cycle and over-head cost that is linked with buying process (Aguiar-Costa & Grilo, 2015; Azadegan & Teich, 2010; Rahayu & Day, 2015). The study aims to use the concept of e-procurement in the capacity of an approach that guides to use the available stock of resources to expedite efficiency and maintain effectiveness in the domain of procurement and therefore helps to take over a competitive advantage reflected by better lead times, adopting cost effectiveness and customer satisfaction. For this study, efficiency means how the procurement procedures and processes are handles while effectiveness can define as utilization of resources to get maximum output. Efficient procurement can reduce the level of operational, procurement, and admin costs while effectiveness is more focused to gain competitive advantages. E-procurement is transforming the entire process of purchasing and provides all the prominent elements of purchasing process over the internet including the selection of suppliers, designing the products, negotiating instruments, collaboration, management of supply chain, evaluating the suppliers online, scheduling the product and supply of materials (Aman & Kasimin, 2011; Madhusudan & Rao, 2016; Neupane, Soar, & Yong, 2014). The idea behind e-procurement does not mean cut down the prices or negotiating with suppliers on reduced profits margin rather managing supply chain effectively (Gardenal, 2013). However, e-procurement system has also considerable drawbacks such as these are closed systems and did not facilitate the comparison as well as customized searches related to suppliers and vendors (Albrecht, Dean, & Hansen, 2005).

Previous literature indicated that there is low level of awareness about e-procurement and its perceived benefits which may negatively influenced the efficiency, effectiveness, productivity, and profitability of small and medium-sized enterprises (SMEs). According to Harvie & Lee, (2002), SME means a small firm which has more than five and less than 150 employees as well as total assets or sale of USD 3 million as per the world bank standard. Recent studies have indicated that Asian developing countries have very lower level of e-business adoption rate as compare to western countries (Sarwar, 2017; Abed, Dwivedi, & Williams, (2015). Environment, managerial, organizational, individual, and cultural constraints are some of the major reasons to lower level of adoption of e-procurement technology in Asian developing countries (Molla & Licker, 2005; Sarwar, 2017; Rahayu & Day, 2015). Other studies have indicated the major challenges in the adoption of e-procurement technology are insufficient internet and telecommunication infrastructure, lower level of e-business regulations and policies, lower level of adoption and knowledge about the benefits of e-procurement, high level of security issues and concerns, and a lack of trust in e-business practices in Asia developing countries (Sarwar, 2017; Rahayu & Day, 2015; Molla & Licker, 2005;Irma, Chong & Ram,2016; Kurnia, et al., 2015; Vaidyanathan & Devaraj, 2008; Vaidyanathan, et al., 2012). There is very little information available regarding how latest technology like e-procurement can execute especially in SMEs of Pakistan. This study aims to explore the financial, organizational, infrastructural, government, educational, and technological challenges in the adoption and implementation of e-procurement system in SME. After identifying these challenges, present study aims to offer a conceptual model that highlights how various stakeholders of SME can contribute towards the adoption of e-procurement system.

Literature Review

The SMEs are required to adopt flexible strategies at operational level to cope with the changes occurring around the world (Faisal & Talib, 2017). The efficiency and effectiveness of supply chain management is linked with the SMEs profitability and growth. According to researcher, SMEs entering the international competitive markets have to keep watching the market demand and scenario of

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