

Chapter 9

Conditions Determining the Success of Public E–Procurement

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ABSTRACT

The dynamic global environment has necessitated governments to adopt a systems approach of integrating suppliers, customers, and information linkages in an endeavor to create and sustain value for public services. The evolution of the concept “the customer is king” has placed the customer foremost in public management thinking. As a result, optimizing customer value in the public domain has become a focal point in managing procurement. The large quantity of public resources used for service delivery points to the importance of efficiency and effectiveness in expenditures as well as accountability. E-Procurement systems provide mechanisms for controlling, simplifying, and automating goods and services from different suppliers. While benefits like stricter control over spending authorization, easier transaction processing and elimination of redundant stock are achieved through automated procurement processes; the viability and success of e-procurement for the public sector is determined by various conditions. The conditions for successful implementation of an e-procurement system are explored as every government activity involves the spending of public monies on goods and services. Any failings in e-procurement practices can create possibilities for large-scale losses through incompetence, waste, and fraud, which directly impact the public.

DOI: 10.4018/978-1-4666-2665-2.ch009

INTRODUCTION

E-Procurement evolved from the need for better governance mechanisms to procure goods and services and engage with suppliers, resulting in an information system enabled innovation in business.

Businesses today are extending e-procurement beyond merely controlling the purchase of office supplies and goods. However, while there are benefits in the direct-goods environment, e-procurement is viable for goods of a generic nature that are purchased in large volumes on a regular basis. Strategic procurement of highly customized goods is generally not viable for e-procurement.

Generally, large corporations or a group of businesses that share common buying patterns may use e-procurement. In the public sector, governments must aim for the optimum supply of goods and services from suppliers in terms of cost, quality, timeliness, risk management, and ethical practices. This is necessary in view of government spending on goods and services, which is generally more than the Gross Domestic Product. Well-managed e-procurement systems can add stability to the country's macro economy, increase levels of service delivery through efficient allocation of resources, stimulate micro economic activity, and retain expenditures within the value and timing boundaries of the budget. The purchasing of goods and services in the public sector is central as it supports all functions of government to achieve its mission. As an important function of government, public procurement has to promote the basic principles of good governance: transparency, accountability, and responsibility. In attempting to preserve good governance principles, government procurement operates within an established milieu of regulations and policies that embrace public interest and non-discriminatory practices. The transparent management information provided by e-procurement facilitates the monitoring of compliance with the regulatory framework of the public sector and performance in terms of effec-

tiveness and efficiency of the public governance agenda. Further, governments are expected to promote social, economic, and financial imperatives in the quest for good governance. Interest in e-procurement was underpinned by its potential to improve efficiencies and transparency in government procurement processes, since imperatives to improve services and curb public expenses are forceful. Public e-procurement has policy implications in advancing initiatives that drive such imperatives. This can further ignite conflicts with other policy areas because of competing priorities, changing political landscapes and different information systems. There could be able to a shift in focus from pure cost efficiency to more qualitative measures like green procurement. Further, opportunism costs associated with public procurement may emanate in an endeavor to broaden competition and maximize opportunities for value for money.

In view of the focus on value for money for goods and services in the public sector, the advantages offered by e-procurement are significant. As such, e-procurement is considered as revolutionary in that it has been influential in enhancing the nature of the purchasing function within organizations. Despite the promotion of e-procurement being appropriate for all types of organizations and being an enabling initiative to make e-procurement cost and time effective, generally, the purchasing community has been slow in committing to e-procurement. This is especially so in poor and developing regions which have limited access to information technology to drive economic and social changes. Further, the divide may also exist between small and large organizations and between urban and rural communities within nations. However, Jae Moon (2005, p. 58) argues that large governments with financial capacity and service demand are more likely to adopt an innovation, since they are under pressure to find alternative ways of providing public services. Further, public sector purchasing volume represents a great potential for establishing national

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