E-PROCUREMENT SOLUTION FOR SMALL-TO-MEDIUM SIZED ENTERPRISES

by

KHALIQ-UL ZAMAN
B.IT (Hons) Multimedia University, Malaysia
2002202002

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Faculty of Information^Technology and Quantitative Sciences

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ABSTRACT

The advent of Internet technology has spurred various innovative applications that business organizations could take advantage of. Among the crucial business application using the Internet technology is Electronic Procurement (E-Procurement), which is a method of procurement using the electronic catalog and automated workflow processes.

The purpose of this study is to explore the different models of e-procurement solutions, propose a low cost and affordable e-procurement model for Small-to-Medium sized enterprises, and provide guidelines to develop the proposed solution.

The result of this study shows that businesses can save a tremendous amount of money by implementing a right e-procurement solution. What is the right solution for a company, depends on its requirements and budget. Some e-procurement software are very effective and provide a complete procurement solutions to the organization but cost millions of dollars. Others are not so perfect but offer the essential functions of e-procurement within an affordable cost.

An E-Procurement portal (or marketplace), which is developed by a service provider, allows buyers to have access to and view suppliers' electronic catalogs, compare products and prices, followed by issuance of RFQs, negotiate contracts and issuance of Purchase Orders online. Likewise suppliers are able to upload latest product and pricing information, submit quotes to prospective buyers as well as check payment status via the portal. SMEs can benefit from these marketplaces and save huge costs on their procurement activities.

There are few factors that neutral parties should consider when developing their e-procurement portal. Trust is one of the most important factors. Buyers and suppliers will not join any marketplace unless they have trust on both, the security of their information, and confidence on the party they are dealing whh. It is therefore essential to establish mechanisms to ensure that e-procurement is secure from internal and external threats. It is also important to provide means for both buyers and suppliers to see the performance ratings of one another. The portal should be user friendly and easy to use. It should also provide fast and accurate information and must be available 24 hours a day 7 days a weak.

An IDC report indicated that, e-commerce in Malaysia, by the year 2005 is expected to grow at a compound annual growth rate of 47%, which will contribute 16% to ASEAN e-commerce revenue of US $55 billion. As more companies are awakened by the potential benefits from e-commerce, businesses will certainly develop strategies that could deliver tremendous cost savings and enhance their competitiveness. Hence E-Procurement adoption would be one of the mandatory applications for these companies.

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