THE ROLE OF E-PROCUREMENT IN THE PERFORMANCE OF
INTERNATIONAL FIRMS. (*A CASE STUDY OF THE*
*COCACOLA COMPANY-UGANDA.*)

BY

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# DECLARATION

I, MULINGE ANTONIA MUTINDI, do here declare that the contents of my study have never in to the best of my knowledge, have ever been presented to for a bachelor's degree in supplies and procurement in any institution or university. It is my original work and secondary data from various sources has been acknowledged.

_____                    26/12/2010
MULINGE ANTONIA MUTINDI                     DATE

# APPROVAL

This research work has been prepared under my supervision as a university supervisor

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MR. HENRY BARASA

20/12/2010

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DATE

# DEDICATION

I dedicate that my research work to my supervisor MR. HENRY BARASA who has shown me the guideline to compile it. I also thank God the almighty for giving me wisdom and understanding through the course of my study. To my entire family Mr. and Mrs. Genevieve Theoffan, my loving twin Dorothy, Winfred, Tonnie, Jackline, immaculate, Clementine, Christopher Fidelis and Virginia for their great contribution.

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Lastly to the Almighty God whose life is meaningless without him.

# ABSTRACT

The research topic "effects of e-procurement and the performance of international firms the case study of Coca-Cola Company in Kampala Uganda. The main objectives of the study included

- To find out the effects of e-procurement on International firms
- To find out the benefits of e-procurement
- To examine the relationship between e-procurement and international firms
- To find out the applications of e-procurement.

The literature review presents work of other scholars on areas of e-procurement. The literature review is organized in such a way that it correlates with objectives of the study and gives an insight into what the researcher has done n as far as answering the research questions.

The study area deception and methodology offers a concise discussion of the methodological aspects used in the study looking to how various tools were used to collect data from Coca-coca company as well as way in which all the information collected was processed, analyzed and presented discussed and so on.

The presentation and discussion of the findings is around the themes relating to the objectives, variables, and research questions of the study. Here the effects of e-procurement on the organizational performance are analyzed. Finally the conclusions focus on the references from the research and answers to the research questions are briefly discussed in this area.

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# CHAPTER ONE

## 1.0. INTRODUCTION

The objective of this chapter is, giving the background to the problem, stating the problem, giving the purpose of doing the study, outlining the specific objective and research question that will guide me to the study, and looking at the scope of the study. In this chapter also the significance and justification of the study will be indicated, that is, why is the study important, how will the result be used, who will benefit from the result? And is the study worthy the undertaking.

## 1.1. BACKGROUND OF THE PROBLEM

In today's economic environment, international firms have adopted e-procurement in an attempt to achieve competitive advantage and improve efficiency of the purchasing management function and global supply chain. Large international firms have been found to be more likely to adopt it as they process greater resources and knowledge to invest in and implement technology. Dasgupta et al, (1999), Kuran and Chau (2001).

Although the implementation initiatives is not all that new, there's current interest in understanding issues involved in it's implementation especially in web enabled environment, hence it appears that e-procurement is still in its early stages of adoption in the corporate world. A recent (Aberdeen group, 2001) study of spending analysis practices of 157 international firms reveals that only a few firms truly know and understand how much they spend on products and with which particular products and with which suppliers. Bushell, (2004), recent study shows that the value of purchase orders handled by the UN procurement division, has risen from $309.46 million in 1997 to $991.64 million in 2006. Annually program delivery has been growing steadily since 2000 and reached $4.3 billion in 2006 of which $2.5 billion were spent

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on good and services, international journal of operations and production management (2008).

E-procurement got off to a slow start, a study by Eyholzer and Hunziker, (2000) shows that 18% of the Swiss companies analyzed used electronic product catalogues, auctions or requests for quotations in procurement in the year 2000. Wyld (2004) reports that currently almost half of all the American companies use e-procurement systems though some international firms face challenges associated with its functions. He further shows that in the USA, only 30% of most firms use e-markets.

The adoption of the e-procurement concepts and practices of performance management plus measurement to carry out joint actions among firms can aid to consolidate co-operation linkages and information exchange among companies as well as develop a culture of continuous innovation thus contributing to the development of collective efficiency, international journal of productivity and performance management, (2008).

E-procurement involves barriers like; lack of trust among trading partners, lack of standardization and uncertainty over trust and commitment among trading partners, costs required to set up online procurement systems, security risk, privacy risk and translation risk.

The use of e-procurement applications for example e-tendering, e-sourcing-informing, e-reverse auctions and others often go hand in hand with repetitive purchase from suppliers, reducing human hand in hand with repetitive purchase from suppliers, reducing human intervention and paper work hence resulting into improved performance for buyers and suppliers Melville et al, (2004) Sanders, (2005) hence the internet only become a powerful source of competitive advantage due to its internet position in the firms overall

strategies. Porter, (2001).

## 1.2. STATEMENT OF THE PROBLEM

In spite of the claimed business benefits that can come from embracing e-procurement the extend of adoption in Organization for Economic Cooperation and Development (OECD) countries is below expectations and progressing slowly, Piers and Starton, (2005). Despite significant recent increases in internet sales in many countries, total business to business internet commerce still only represents 22% of turnover and that of developing countries which use online procurement mainly to purchase a limited set of goods, predominantly office supplies and MRO supplies Davilla and Palmers, (2006).

## 1.3. PURPOSE OF THE STUDY

The purpose of this study was to establish the relationship between e-procurement and performance of international firms.

## 1.4. OBJECTIVES OF THE STUDY

I.      To establish the benefits of e-procurement.

II.     To examine the performance of international firms.

III.    To examine the relationship between e-procurement and the performance of international firms.

## 1.5. RESEARCH QUESTIONS

I.      What are the applications of e-procurement?

II.     How is the international firm performing?

III.    What's the relationship between e-procurement and the performance of international firms?

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## 1.6. SCOPE OF THE STUDY

**The study was based on e-procurement as an independent variable and performance of international firms as a dependent variable.**

## 1.7. SIGNIFICANCE OF THE STUDY

I.      The study will assist international firms appreciate and embrace e-procurement if it's well adopted by them.

II.     The study will help international firms gain more value through e-procurement.

III.    The study will assist implementers, international firms as well as the public and students to carry out more research work in the e-procurement field.

IV.     The study will contribute to an important stream of literature that examines the relationship between e-procurement and performance of international firms.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.0. INTRODUCTION

This chapter gives framework upon which the research was based. It indicates analysis of existing literature on e-procurement and performance of international firms as discovered by other researchers, the Internet, journal articles and magazines.

## 2.1. GROWTH OF ICT

Over the last 20 years ICT has increasingly been identified as a major contributor to the process of business development and improvement and it has been identified that "ICT is responsible for around half of productivity growth in modern economies. It drives improved efficiency and better services and products across the entirety of the private and the public sectors." (Viviane Reding).

ICT has led to the connection of business computer within the organization (Local Area Network) or intranets and outside the branches of an organization (Wide Area network) extranets or through word wide websites or the Internets. (E-business, 2004)

The use of ICT and technology has affected every aspect of business, transforming not only the way that business is conducted but also creating new business sectors and jobs. The creation of companies like Google and e-Bay which did not exist 10 years ago, was only made possible by advances in technology and the changes that this has created in the way that people behave (currently Google is valued at £44billion. (BBC 5th June 05).

## 2.2. THE EVOLUTION OF E-PROCUREMENT

As a major part of supply chain management, Lenders and Fearon (19970,supply chain in procurement are traditionally supported by information technology (IT). This has made the supply chain system easy and less complicated with paper work documentation. With the implementation of enterprise resource planning (ERP) systems in the 1980s electronic data interchange connections with suppliers were established. For example close partnerships have been forged with direct material suppliers through automation of delivery schedules by a linking company's materials management system with supplier system. Supply chain management: An international journal (2005).

During the 1980s opportunities in rapidly growing countries like china, India, many Latin America, developing countries and former Soviet Union began to encourage foreign investment and growth. Many firms expanded forward to respond to opportunities for new markets. For example through backward towards international suppliers both for lower costs or higher technology. Malone and Crowston, (1991) argue that the increasing global interdependencies and the accelerating pace of changes demanded more flexible and adoptive organizations. By early 1990's; managers of leading firms were reducing costs, improving customer service and supplying better products through extending their supply chains internationally and by improving the entire system which they managed and related to their suppliers and customers, Flaherty, (1996).

It was not surprising therefore that the computer and electronic sector quickly decided to adopt electronic data interchange technology, Just In Time and Lean international firms techniques, Malone and Crowston (1991).
Following electronic and computer sectors, many international firms took

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advantage of EDI technology Including auto, retail business, health care providers, insurance companies and universities, Kimberly (1991).

E-procurement arose through the proliferation of the Internet as a platform for inter-organizational systems in the late 1990's and has been particularly significant for the strategic management of supply chains, networks and international firms as well, Evans and Wurster; s (2000). Davila et.al (2003) indicates that leading-age firms are proceeding with their e-procurement initiatives.

## 2.3. CONCEPTS OF E-PROCUREMENT

Many scholars and researchers have tried to give a clear picture of what e-procurement means. Wu et.al (2007) defined it as the information technologies to facilitate business-to-business purchase transactions for materials and services. According to Dolmestch et.al (2000), e-procurement deals with the management of supply chains in the procurement of indirect goods that's based on Internet information systems plus e-markets.

Turban et.al (2006) defines the concepts as purchase of goods and services for firms through the World Wide Web. Electronic procurement involves activities like online banking which supposed to reduce the need for customers to visit branches or use call centers, online retailing likewise reduces the need for in-store or call centers staff, Kraemer and Dedrick, (2001). Carrying out transactions online can also refer to e-procurement. Initial application of web-based procurement has concentrated on corporate efficiency by improving data flow and error reduction Mohsen Attaran (2001).

It has also been in conjunction with the varied technologies of electronic commerce such as document imaging, work flow management, bulletin boards and e-mail to enable business process re-engineering, industrial management

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and data system (2001).

## 2.4. E-PROCUREMENT APPLICATIONS

E-procurement is not one of single application of many different tools, de Boer et.al (2001) have identified and described six forms of e-procurement application and to them, e-collaboration is added.

### 2.4.1. E-sourcing

It's the process of finding potential new suppliers using the Internet in general or more especially a B2B market place. It normally takes place in the in the information gathering step of the procurement process. E sourcing helps to lower costs instead of examining each and every single supplier individually. Thus the cost of searching for new supplier is decreasing; identifying new sources of supply increases the competitive forces during the procurement process, De Boer et.al (2001).

### 2.4.2. E-informing

This is part of e-procurement that does not involve transaction or call offs, but instead handles information about the supplier regarding quality certification, financial status or unique capabilities supplier data can come from these information providers and from a firm's own investigation into the supplier, De Boer, L and Heijboer G, (2001).

### 2.4.3. E-reverse auctions

This enables the purchasing company to buy goods and services that have the lowest price or combination of Internet technology. The auction for instance is most traded in real time and ends in a closing bid between the buyer and the supplier. This takes place in the negotiating step of the procurement process, De Boer et.al (2001).

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An e-reverse auction is a dynamic bidding process that typically results in lower prices than the buyer has previously paid, Emiliani and Stec, (2002). As the bidding process is conducted in real time often with many suppliers bidding process does not have to take more than one hour thus resulting into efficiency gains. Devilla et.al, (2003); Cafman and Cater, (2004) argue that many large companies in the US and Europe use e-reverse auctions and as so, supply managers expect continued expansion in future.

### 2.4.4. E-tendering

It is the process of sending request for information (RFI) request for price (RFP), to suppliers and receiving the responses using Internet technology. The data concerned with e tendering are focused on the product or service itself. Through e tendering it's possible to have an initial screening process where a selected number of suppliers qualify for the negotiations step, Harink and Heijboer G, (2001).

This initial screening is easy to perform on distant features of the product such as price, lead-time, quality, flexibility plus reduced costs. International journal of physical distribution and logistics management (2003).

### 2.4.5. E-MRO and web-based ERP (enterprise resource planning)

E-MRO (Maintenance Repair and Operations) and Web based ERP focus on the process of creating and approving purchasing requisitions placing the orders and receiving the goods or services ordered using a software system based on internet items whereas the Web based ERP deals with product-related items, supply chain management: an international journal, (2005).

**Statistics indicating the distribution of firms reporting B2B (Business to Business Procurement Savings)**

on-
RP

RP-
ms

| | | | | | | |
|---|---|---|---|---|---|---|
| 0.0% | 4.3% | 8.6% | 12.9% | 17.1% | 25.7% | 30.0% |
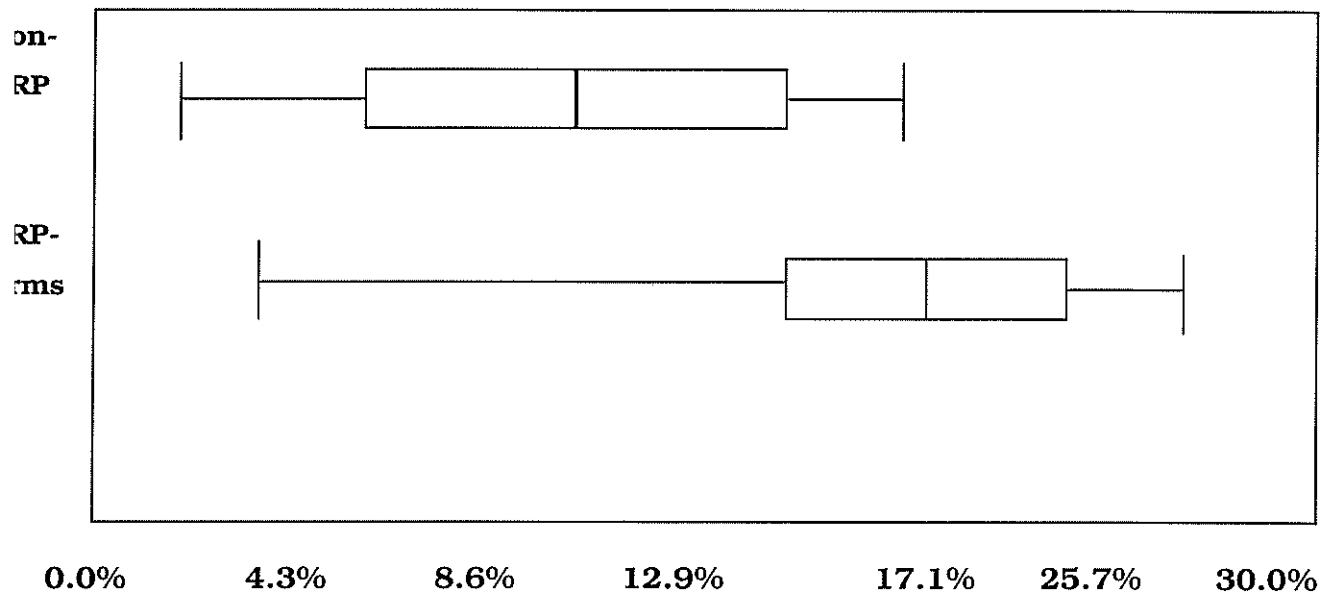
**% Savings via B2B procurement**

**Source: Bendoly, E (2001)**

### 2.4.6. E-collaboration

It encompasses the usage of different collaboration tools such as virtual meeting rooms, bulletin boards, plus shared knowledge management systems, dyer et.al, (2001). According to Dyer JH and Sigh H (2001), e-collaborations aim at creating value reducing total lifecycle cost. It does not however aim to improve, develop and fine time the two organizations in order to get maximum value from combined resources, international journal of physical distribution and logistics management (2003).

Collaborative procurement is also aimed at a closer interaction between suppliers and customers through the use of Internet technologies such as portals, Wyld, (2004).

# CLASSIFICATION OF E-PROCUREMENT APPLICATIONS

| E-procurement application | Category |
|---|---|
| Use of the internet to search for low cost resources of supply | 2 |
| Visit supplier websites | 2 |
| Access suppliers financial status | 2 |
| place orders on suppliers websites | 2 |
| Access e-marketing places | 2 |
| Use software services of an e-purchasing solution provider | 2 |
| Search for suppliers with offerings that will allow our firm differentiate our products/services from our competitors | 2 |
| participation in reverse auctions to reduce purchase prices | 2 |
| plan schedule production | |
| Achieve cross functional coordination collaborate with suppliers on product | |
| Service design issues | |
| Develop an intergraded supply chain | |

The diagram above shows the functions, which e-procurement can perform and the response the procurement officer can get on applying to the suppliers in a given transaction. The blank response on the procurement models shows how e-procurement has not yet has not yet been embraced by suppliers. Source Attaran Mohsen 1995

## 2.5. POTENTIAL DRIVERS IN THE ADOPTION OF E-PROCUREMENT

In seeking to explain differences in e-procurement, adoption between organizations, several factors were identified in the literature. There were three main types of factors that appear to influence the adoption of e-procurement; organizational, supply, and strategic factors.

## 2.5.1. Organizational factors

The main organizational factors that appear to impact on the likely adoption of e-procurement are size and type of operation. E-procurement is more evident bigger organizational than smaller. Small to medium enterprises (SMES) often lag behind than larger organizations in e-procurement adoption.

ISM Forrester (2003), reasons for this include owner's attitudes resources poverty limited IT infrastructure and expertise and expertise with information system, Harland et.al, (2007).

## 2.5.2. Strategic factors

A company may adopt e-technologies as part of it's over arching business strategy, contributing to improving firm performance and increasing competitive advantage. The strategic advantage, the strategic use of e-procurement has been considered plus how e-procurement strategy aligns with the overarching strategy of a firm. The Internet can only become a powerful source of competitive advantage if it is integrated in firms overall strategies, Porter, (2001).

## 2.5.3. Supply factors

E-procurement is more likely to be beneficial in disposed supply chains as it helps co-ordination, Liao et. al, (2003) different actors in supply chains have got different power, legitimacy and urgency to implement and it can have an effect on trust in supply chain relationships, Gattiker et.al, (2007).

## 2.6. BENEFITS OFFERED BY E-PROCUREMENT

The potential of e-procurement have been already proven in a number of studies. E-procurement enables companies to decentralize operational procurement process and centralize strategic procurement as a result of the higher supply chain transparency provided by Web-based procurement

systems, Aberdeen group, (2009); Eyholzer Hunzinker, (2000).

Qiunipero and Sawchuck (2000) asserted that the use of Internet technologies in procurement is aimed at realizing faster and more efficient operational procurement process in the supply chain management and enable those people to concentrate on more strategic tasks hence the above indicates that the scholars are in agreement as regards to efficient operational procurement process.

Mohson Attaran (2001) points out that strategically, online procurement helps to consolidate to purchasing practices that lead to greater discounts and better services from suppliers, accelerates the flow of important information between buyer and supplier. He reinforces thus submission by indicating that e-procurement reduces inventory level costs associated with inventory.
Papazoglu et.al (2000), Vakharia (2002) Payaro (2004) are in agreement with Mohsen Attaran that an integrated control system supported by web-based procurement infrastructures allows companies or firms to benefit from reduced inventories, total cost reduction and increased service customers.

Smeltzer (2001) argued that e-procurement provides the opportunity to establish preferred suppliers in the maintenance repair and operations (MRO) area as well as its importance because of the way its creating greater efficiency of the existing supply chains and in some ways moving on to transform the nature of these firms. Baoukaris (2003).

WTO (2003) emphasized that web based procurement has specifically brought a new era firms can easily access information about competitors for them to take faster decisions on how to contain them. Mohsen Attaran (2001), contends that the technology helps competitive new market entrants and to improve the chances of a winning new business. There is agreement among scholars as

regards to what constitutes competition. Mobile procurement enhances existing e-procurement solutions of the location and makes the applications independent of the locations where it's used. Wyld (2004) explained that there is high mobility support for simple activities like tracking across to adhoc information and readability.

Kalakota and Robinson (2001) view the benefits of e-procurement into two major categories; efficiency and effectiveness where by the former includes process, products and inventory savings while the later looks at higher quality purchasing decisions within firms.

E-procurement also improves auditing and better security by enabling staff and auditors to verify and track the movement of orders through the system Mohsen and Attaran (2001) notes. Through web-based procurement, suppliers become global and this provides better and larger markets, reduction in the procurement process, fast and safer payment via electronic fund transfer, final report on APEC seminar, (2006).

In this regard, its able to evaluate supplier performance, gather statistics and feed back for future planning there's ability to take order and status delivery automatically. This is due to turn results into creation of more skilled and knowledgeable workforce. The above statement is in agreement with Mohsen Attaran (2001) who says that online procurement enables business or firms experienced shortened delivery time by cutting time waiting for documents in the mail. More so, it improves financial control by making it easier to match orders. Therefore, there is consensus on order and status delivery time as a benefit for enjoy by adopting e-procurement. Global firms are also in better position to benefit from e-procurement, as they can believe from e-procurement as they can achieve economies of scale and global reach.

## 2.7 HOW INTERNATIONAL FIRMS ARE PERFORMING WITH THE HELP OF E-PROCUREMENT.

Many companies were planning to implement e-procurement system but this has not yet been implemented. Other studies show similar proportions for other countries that procurement department has not yet been established in some organizations, Industrial distribution, (2001); however Wyld (2004) reports that currently almost half of all American companies use e-procurement systems.

In both the 1999 and 2001 studies smaller firms using sales volume were more likely to use the internet to communicate with suppliers on finished goods, inventory levels and on out of stock issues. Recently Lancioni et.al (2003) found out that larger firms used the Internet to make online catalogues purchases and provide suppliers with evaluation of carrier's performance. Researchers found out that large firms were more likely to use Internet based technologies to communicate with customers on order states and to manage the outsourcing of customer's service functions.

More than half of US purchasing managers are buying from and negotiating with their supplier online. The figure of 53.5% is the highest yet reported by the institute for supply management quarterly report on e-procurement which polls purchasing managers at 289 firms. It was found out that the proportion of large layers using procurement tools rose by a third this quarter to 54%, supplier management (21 June 2001).

International firms are currently using e-procurement to purchase a limited set of goods, predominantly office supplies and maintenance repair operations suppliers, Davilla and Palmer, (2006). Though the concept of e-procurement strategy the issue of the Internet can re-shape companies and provide competitive advantages, Brynjofsen and Uban, (2001). Firms have been able to

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enjoy great opportunities to promote products and services with the richness of information flows in both directions than they could be in traditional market, Dissert et.al, (2000).

A purchasing magazine of US companies show that in 2004, 27% of buyers use e-procurement reverse auctions (a procurement tool) up from 15% who reported using e-auctions in 2003, Hannan, (2004) for large companies (sales over $ 100 million), the rate of use is even higher with 38% using e-auctions based on a 2002 research on US companies, Chew et.al (2003).

Most medium to large organizations buys some goods and services that are viable candidates. This is so because they want to ensure that their organizations stay competitive, supply managers need to asses if e-procurement tools like e-auctions are appropriate for their purchases and if so, adopt them for use in their organizations. Recently, more and more companies have realized procurement is more significant than sales in terms of its influence on company figures. For example a case study at Mercedes Benz identified that a 10% increase in turnover had the same effect on the operation result as a reduction in material costs of 0.518% due to the leverage effect of procurement costs, Kalakota and Robinson, (2001). Thus e-procurement has a strategic function in most international as the high diffusion of Wyld (2004).

Davilla et.al (2003) says that there are signs of wider adoption of e-procurement as more firms come forward with their pioneering implementation experiences and more firms take internet enabled supply chain initiatives mere seriously. Mukhopadlyay and Kekre (2002) are in agreement that supplier-trading partners with advanced technological capabilities can significantly increase the benefits of an order processing system both to themselves and their customers.

Kheng and Alhawadheh (2002) disagrees with the above scholars indicating that the adoption of e-procurement in Singapore presented stumbling blocks to this initiative from the point of view of Singapore firms.

Tan (2001) identifies potential for improvement arising from adoption of e-procurement systems as cost performance (from improved productivity) service quality, consistency and dependability.

## 2.8. FACTORS INDICATING WHY MOST INTERNATIONAL FIRMS ARE NOT EMBRACING E-PROCUREMENT.

A number of recent studies have also looked into difficulties faced by firms on launching e-procurement. A recent research shows that out of 102 international active e-market places and procurement service providers, only 64 have embraced an entire e-procurement process and are actively implementing the process. Huber et.al, (2004). He found out the following perceived barriers to electronic procurement.

Concerns over security of the data needed to be exchanged in electronic environments, reluctant to share data with trading partners, a "wait to see" attitude among firms in selecting e-procurement service providers, lack of standardization and uncertainty over trust and commitment among trading partners.

Dai and Kufman (2002) asserts that firms are not embracing e-procurements because of the above difficulties; lack of trust among trading partners and therefore reluctant to share data and information, challenges accompanying building a single point of contact between a large multi-unit business firm that wants to offer a single B2B interface to its corporate customers and this will require changes in the way the firm manages its customers and the way its customer relationships management function work, inequalities in power valence between and among trading partners participating in environments like

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B2B exchange with most of the power held by hub firms, lack of capital to participate in business to business procurement environments.

This in agreement with Yen and NG (2002) who contends that both buyer and sellers of international firms considered the following prohibitive and discouraging; the lack of adequate security measures to protect data and trust issues between buyers and sellers, the costs and development time required to set up online procurement systems.

Leith (2003) says that there's low embracement of e-procurement by international firms due to; translation risk resulting from unauthorized penetration of trading platforms and failure to protect transaction related data while being transmitted or stored, privacy risk arising from inappropriate information collection and information transparency.

Kheng and Athaw Andeh, (2002) say that the laws governing business-to-business commerce crossing over to e-procurement are still underdeveloped. For instance questions concerning the legality and force of e-mail contracts, role of electronic signatures and application of copyright laws to electronically copied documents are still unresolved, Kheng and Andeh, (2002) further say that technical difficulties related to information and data exchange plus conversion such as inefficiencies in locating information over the internet using search engines lack of common standards that get in the way of the easy integration of electronic catalogs from multiple suppliers is still a barrier.

### 2.8.1. Performance

Performance is how well a piece of work or an activity is done. Performance involves greater staff productivity, improved customer service and widened sales area, Trimmers, (1999), Day, (2001). Performance measurement has an important issue for managing performance of international firms, Hudson et. al

(2001).

## 2.8.2. Improved customer service

E-procurement has enabled customers receive their order on time. Hence noting like later or delayed delivery of goods demanded by firms through online procurement rejects are reduced since the product or service is delivered on time Mohsen Attaran (2001) "small suppliers in particular are able to supply to firms they never had access to in the past hence increasing their performance". Robin Parker (2002).

## 2.8.3. Widened sales areas

Global firms are actually high intensive users of e-procurement especially business to business. Through it, they are likely to integrate their operations and automate transaction in order to compete in the global market place. Firms that use e-procurement have increased their sales volume in that they now have access to customers they never reached before. Coleman, (2001); Shih et.al, (2002). Most international firms have therefore opted to use online purchasing in order to widen their sales hence better performance Zhu et.al, (2002).

## 2.8.4. Reducing transaction costs

Firms doing business outside their own country may be motivated to lower their transaction costs such as search for information, negotiation and monitoring of performance by using information technology (internet based procurement) Malone et al, (1987).

## 2.9. RELATIONSHIP BETWEEN E-PROCUREMENT AND PERFORMANCE OF INTERNATIONAL FIRMS

Supportive rather than disruptive of the existing industry structures and competitive environment, firms that want to expand into the global markets are

more likely to do so by adopting e-procurement in order to break into the global production network for international firms than trying to sell directly to foreign consumers, Cavusgil, (2002) and Porter.

Gibbs et.al (2003) indicates that global firms are expected to perform better in terms of increased sales, lower costs and improved competitive position. They further noted that it's likely for those firms to realize greater impacts on performance because they can employ knowledge and resource developed through their global operations to improve business process and more effectively deploy e-procurement technologies.

Vickey et. al (2003) says that it's critical for managers to understand which e-procurement application best suit their firm's goals in achieving intra and inter-firm integration which increase the overall performance of international firms. Hence firms, which fail to adopt e-procurement applications might find themselves competitively, disadvantaged therefore there is consensus amongst the above scholars on the variable of increase in the overall performance due to application of e-procurement.

Chen (2002) asserts that firms, which buy and sell in international markets, are under pressure from trading partners to adopt e-procurement in order to improve coordination with other members in the value chain especially in global production networks that require partners to adopt the technology.
Kotler (2001) is in agreement with the above that in order for firms to realize a change in their performance, they need to embrace new technologies like e-procurement applications that can enable them achieve their future prospects.

Cavusgil, (2002); William et. al, (2001), agree that though the adoption of ICTs like the internet makes it cheaper and easier for firms to extend their markets, manage their operations and coordinate value chains across borders.

Using the internets for the for transactions and coordination can save time and money on delivery of goods by using the rich information flows to simplify and streamline the flows of physical goods in the supply chain. Dedrick and Kreamer (2002).

Globalization should also have an indirect effect on performance through e-procurement adoption since highly global firms use it extensively, and more and extensive use that result in improved performance. Gibbs et.al (2003) firms that are highly global experience greater improvements since they are using e-procurement. Mukhopadhyay et.al (1995).

## 2.10 THE FUTURE OF E-PROCUREMENT

With recessionary winds blowing across the globe and growing need to rationalize spends while sustaining optimum levels of productivity enterprises big and small will further leverage the e-procurement model to achieve greater savings and deliver enhanced value.

Advances in internal and media technologies now acquire a revisit of the traditional methods of e-procurement. As the current market conditions tighten, e-procurement facilitator companies need to reinvent themselves and greater process simplicity and usability. Lenders, (2004).

The automation of procurement executions part of pull- based replenishment of direct materials is driving the true process collaboration between manufacturers and suppliers with the aid of technology companies can expect to streamline buyer productivity, eliminate non value added activities, reduce direct material inventory across the supply chain, and improve the supply networks capacity to meet consumer demand as required for. Bill Swanton, (2006)

The demand for automation will also increase. While much of today's e-

procurement focuses on unknown or commonly ordered items, buyers will also begin to look for automated ways to find and buy new product. Customers that today order a known part through e-procurement by looking at the part number a brief description and price will need access to better data and improve search capabilities. Today's part number and price will expand to detailed descriptions, attributes, online data sheets, technical specs, and even pictures. Customers that currently browse through a paper catalog will want to access the detailed information through the online catalog. Attran, (1995).

In e-government digitalization of public sector procurement process will lead to paper based manual procedures being replaced by customized procedures and internal controls in user in user systems.

There is an upcoming DDSN (Demand Driven Supply Networks) system, a system of process and technologies to sense and response to real time demand across a network of suppliers, employees and customers, whose main goal is to prevent shortage, reduce inventory investment and trim supply side lead times in the whole supply chain system Lenders, (2001).

Electronic catalogs from key suppliers are being loaded on to e-procurement systems typically these hosted contain the most commonly ordered parts. Employees can access the system from their desktops to browse catalogs and place orders. Orders are routed electronically through the approval chain, similar to e-mail and then transmitted electronically usually through eXM (eXtensible Mark Language) to suppliers. Lenders, ( 2001)

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# CHAPTER THREE
## METHODOLOGY

## 3.0 INTRODUCTION

This chapter covers the sources of data, the types of data required, research design, data collection required, research design, data collection methods, analysis method and presentations, validity and reliability of data and limitations of the whole study.

## 3.1 RESEARCH DESIGN.

Both descriptive research and qualitative were used under this study. The purpose of choosing this type of design was to acquire data related to e-procurement and performance of international firms.

## 3.2 POPULATION AND SAMPLE

The survey population consisted of thirty (30) workers and it involved those who were working during day to both male and female all aged between 20-64 years, this was done randomly to avoid bias. Besides there were workers identification and their experience which helped in giving a sample for this study

## 3.3 DESCRIPTION OF SAMPLING METHODOLOGY

To select the study area, two methods of sampling were applied. Simple random sampling was used to select employees in Coca-Cola limited company. To ensure that all units in this population category had an equal chance of being selected, the researcher carried out stratified random through the study area randomly in the sample, until required number was obtained.

The age of employees in Coca-Cola limited company who were selected range from 20-64 years. The researcher selected the above population units after

carefully considering that the employees of Coca-Cola Company were the most reliable source of data pertaining to the existing situations and conditions in the area.

## 3.4 TYPE OF DATA

Due to the nature of this study both primary and secondary data was used this was so because the study based on already existing data which is secondary and questionnaire and interviews were used which is primary data.

## 3.5 SOURCES OF DATA

The fact that the type of data is secondary, then secondary sources like magazines, journals, articles confluence reports, interviews, questionnare, the internet and power point presentations concerning the subject matter of the study.

## 3.6 DATA COLLECTION METHOD

The whole data was collected through extensive reading of magazines, the internet and down loading related data, journal articles, interviews and questions from the respondents and analyzing them.

## 3.7 QUESTIONNAIRE

In this method a comprehensive questionnaire is adopted to collect data from target employees involved in the procurement process. Written set of questions both open and closed ended would be used. This was an efficient primary data collection method which helped the researcher know exactly what was required and how to measure the variables of interest.

## 3.8 INTERVIEW GUIDE

In depth interviews were carried with the aid of interview schedule which was used to gather data from different employees so this instrument enabled face to

face interaction.

## 3.9 DATA PRESENTATION, PROCESSING AND ANALYSIS

Information was presented by use of qualitative statements, diagrams and paragraphs. After getting data from the questionnaire, interview, the internet magazines and journals, editing and sorting were done to ensure accuracy and relevant literature in order to find out the relationship between e-procurement and performance of Coca-Cola Company.

## 3.10 VALIDITY AND RELIABILITY

The researcher ensured that she applies the valid and reliable methods. The evidence gathered was to reflect the validity and reliability of the tools applied. Validity of the tools was ensured by discussing with my supervisor, pre-testing and taking great care in the choice of words, order of questions and their structure. The questions developed• were able to measure the variables under study consistently. The change from one question to another was consistent to enable the researcher determine that Coca-Cola has adopted E-procurement respond appropriately.

## 3.11 LIMITATIONS OF THE STUDY

When carrying research, the researcher faced the following limitations

i)      Some journal articles needed to be purchased on line this was a barrier to get access to the required information.

ii)     The researcher faced a problem of getting access to historical/ recorded information which was not reliable.

# CHAPTER FOUR

## PRESENTATION AND INTERPRETATION OF DATA

### 4.0. INTRODUCTION

This chapter analyses data collected from the field based in the questions proposed in the objectives in the first chapter. The research involves presentations, interpretations and analysis of the collected primary data. The presentation is done in tables with illustrations. It continues in presenting the findings of the study by the use of responses, frequencies and percentage in order to reach at the true finding.

### 4.1. Analysis and presentation of Data.

**Table 4.0; summarized the age of respondents in the Coca Cola Company**

| Age | Frequency | Percentage |
|-----|-----------|------------|
| 20-24 | 2 | 7 |
| 24-29 | 1 | 3 |
| 30-34 | 6 | 20 |
| 35-39 | 5 | 17 |
| 40-44 | 3 | 10 |
| 45-49 | 4 | 13 |
| 50-54 | 2 | 7 |
| 55-59 | 7 | 23 |
| Total | 30 | 100% |

Source primary data

raph 4.1 Showing ages of respondents in Coca Cola Company limited.
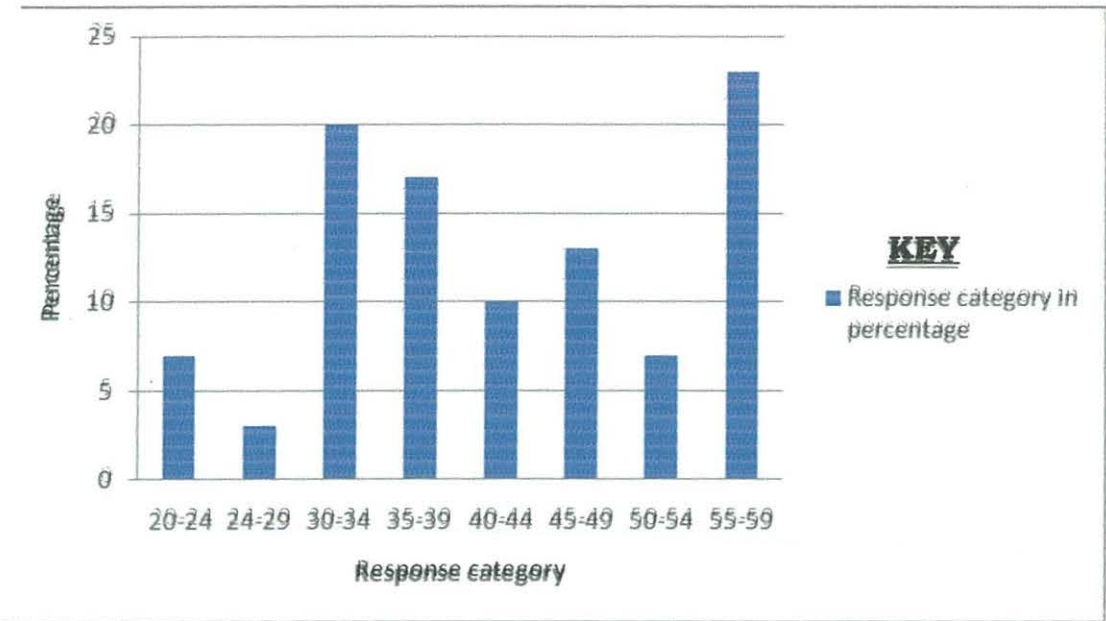


Source primary data

Table 4.2 showing summary of the gender of the respondents in Coca-Cola Company

| Response category | Frequency | Percentage |
|---|---|---|
| Male | 10 | 33 |
| Female | 20 | 67 |
| Total | 30 | 100 |

This above information can be presented on graph 4.2
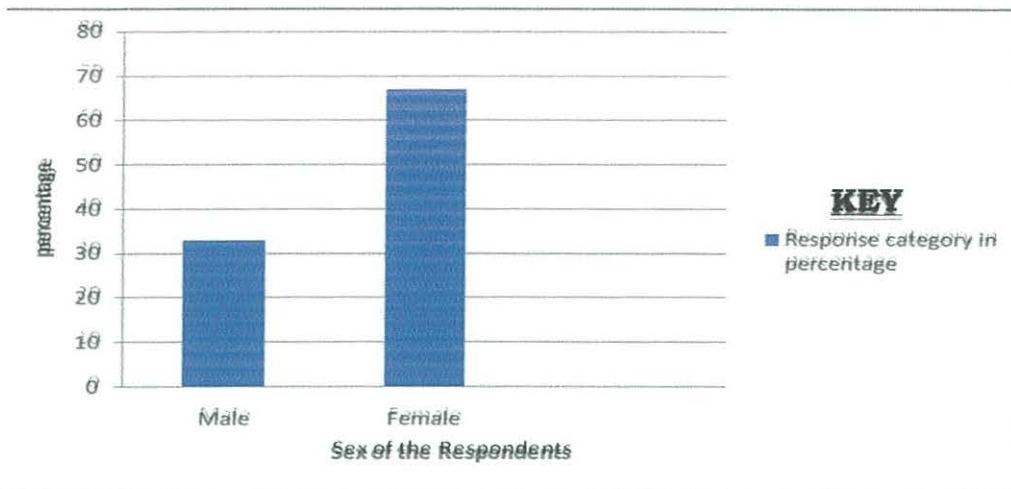
From the table 67% of the respondents are female while 34% are male.

Table 4.3 showing summary of the level of education of the respondents in Coca-Cola Company

| Response category | Frequency | Percentage |
|---|---|---|
| Secondary | 5 | 16 |
| Tertiary | 8 | 27 |
| University | 9 | 30 |
| Others | 8 | 27 |
| Total | 30 | 100 |

Source primary data

The information above can be presented on the chart 4.3
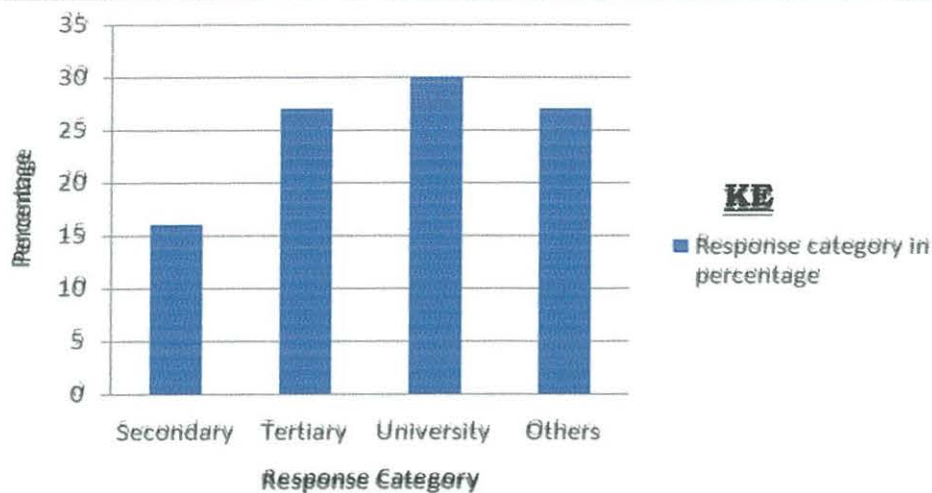
From the table above for the level of education secondary are 17%, university 30%, tertiary and others 27 %. So far that matter it means that the degree holders are the majority.

On the process of e-procurement in the organization on whether the organization practice e-procurement many organizations have not fully involved in e-procurement meaning that few have implemented the concept. However during the study the researcher found out that Coca-Cola Company since the majority of the respondents agreed that e-procurement is being practiced in their organization.

Table 4.4 showing the respondents on whether e-procurement is practiced in the organization.

| Responses category | Frequency | Percentage |
|---|---|---|
| Yes | 15 | 50 |
| No | 10 | 33 |
| Not sure | 5 | 17 |
| Total | 30 | 100 |

From the above 50% of the respondents they disagree that the organization practice e-procurement 33% of the respondents they disagree that Coca- Cola company does not practice e-procurement, 17% of the respondents are not sure whether the organization practice e-procurement or not so according to what the researcher discovered is that Coco-Cola practice e-procurement.

The above information can also be illustrated on the graph 4.4 below
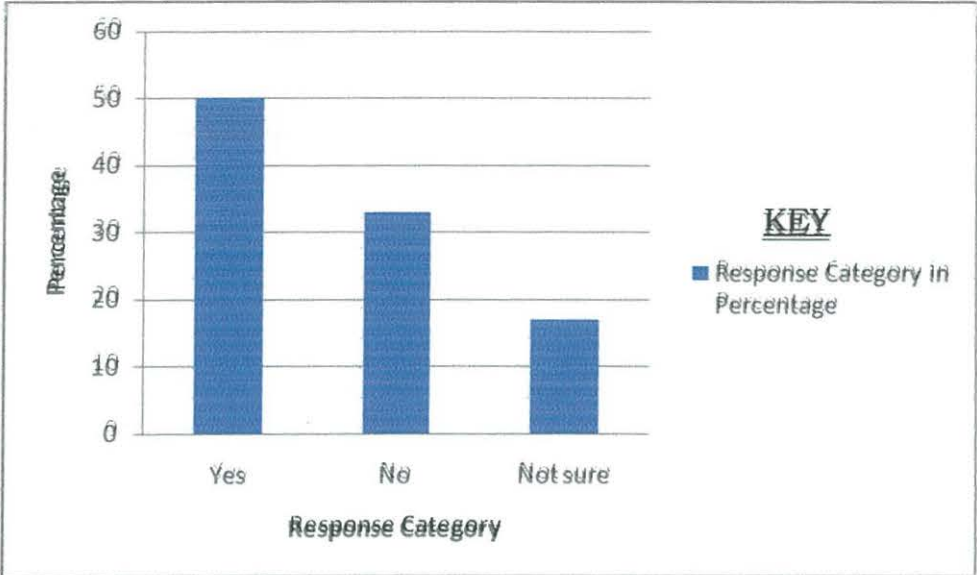


Source primary data

Further more the researcher went ahead to find out the process involved in e-procurement in Coca- Cola Company.

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Table 4.5 shows the responses on the process involved in E-procurement in Coca-Cola Company

| Response category | Frequency | Percentage |
|---|---|---|
| Purchasing and supplies | 10 | 33 |
| Marketing and sales | 5 | 17 |
| Supplies short time | 8 | 27 |
| Contract privatization | 7 | 23 |
| | 30 | 100 |

Source; primary data

From the above 33% of the respondents strongly agree that purchasing and supplies is the process of e-procurement involved by Coca Cola Company, 27% agree on supplies short time, 17% fall under marketing and sales and 23% agree the organization apply contract privatization. So this means that purchasing and supplies is the best process of e-procurement applied.

The above information can further be presented on graph below
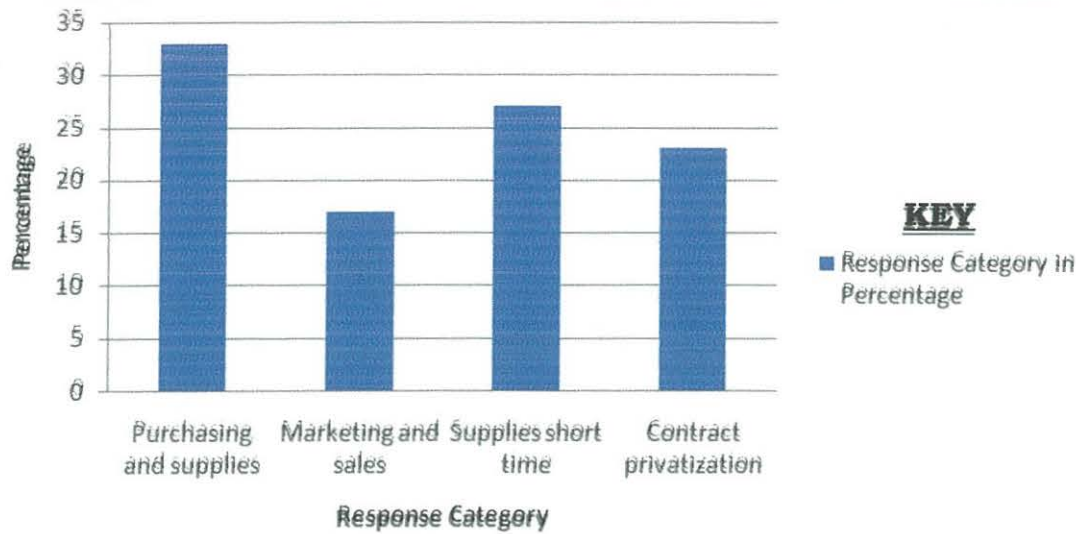
Source; primary data

Why does your organization practice e-procurement?

Table 4.6 shows the responses on the reasons as to why Coca-Cola practices E-procurement.

| Responses category | Frequency | Percentage |
|---|---|---|
| Reduce cost | 12 | 40 |
| Improve skills and knowledge | 8 | 27 |
| To improve efficiency | 10 | 33 |
| Total | 30 | 100 |

From the above table 33% of the respondents in the Coca-Cola Company supported to improve efficiency, 40% to reduce costs and 27% skills and knowledge. So far that matter the most reasons as to why Coca cola practice e-procurement is to reduce costs.
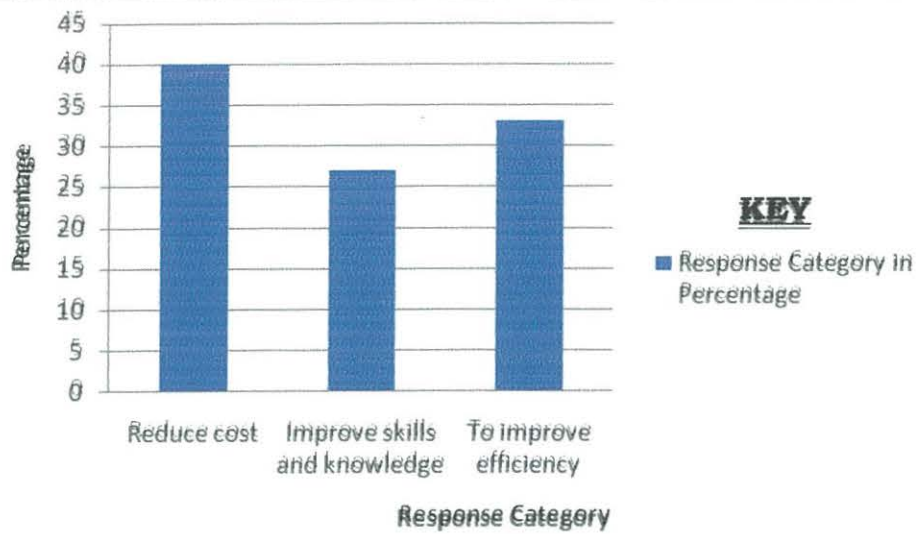
The above information can further be represented on graph 4.6 below

How does e-procurement affect your organization?

Table 4.7 shows the responses on how outsourcing affects the organization.

| Response category | Frequency | Percentage |
|---|---|---|
| Cost reduction | 8 | 27 |
| Loss of practical skills | 12 | 40 |
| Supply market tasks | 8 | 27 |
| Loss of strategic resources | 2 | 7 |
| Total | 30 | 100 |

Source; primary data

According to the table above 40% respondents support loss of practical skills affects the organization due to e-procurement Coca cola company, cost reduction were 27%, and loss of strategic resources respondents were 7% hence loss of practical skills affects coca-cola highly due to e-procurement.

The information can be presented on the table below on 4.7

33
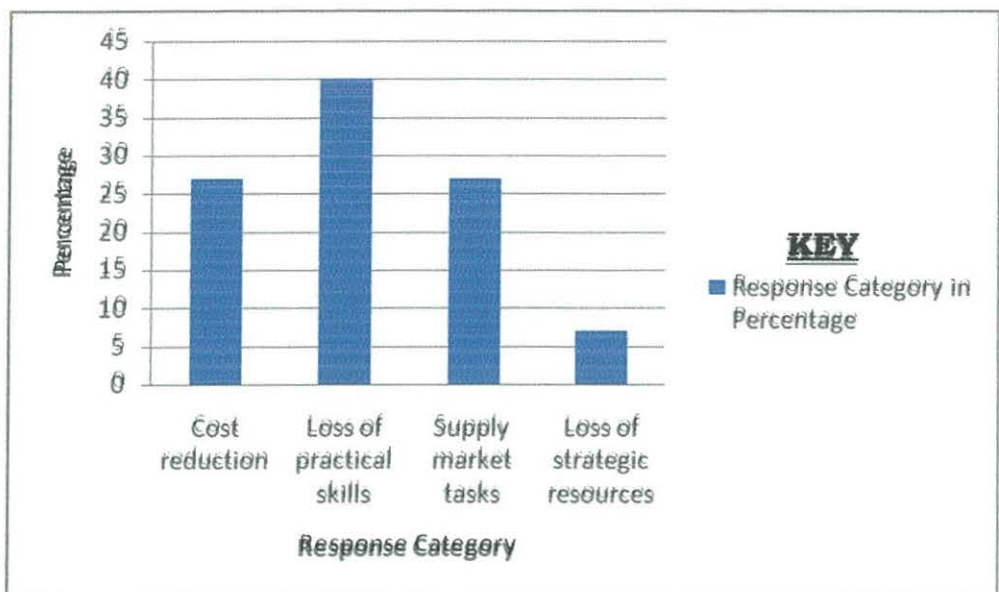
Source; primary data

Table 4.8 shows the responses to the benefits of e-procurement in Coca Cola Company

| Responses category | Frequency | Percentage |
|---|---|---|
| Yes | 18 | 60 |
| No | 12 | 40 |
| Total | 30 | 100 |

Source; primary data

From the above 60 %of the respondents agree that the organization benefits from e-procurement while 40% disagree that Coca cola does not benefit from e-procurement. It means that the organization benefits from e-procurement.

The above information can be illustrated in the graph 4.8 below.
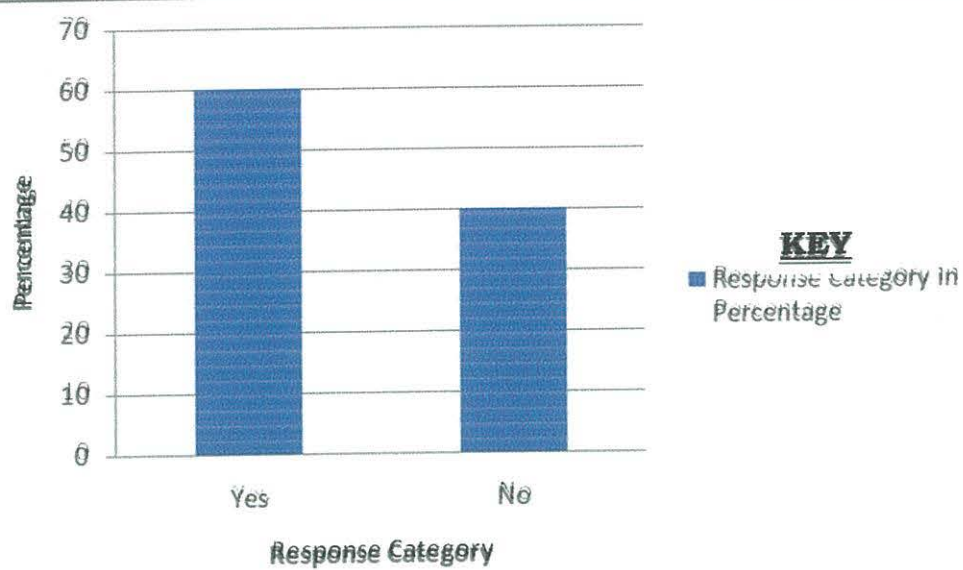
# CHAPTER FIVE
## CONCLUSIONS AND RECOMENDATIIONS

## 5.0. INTRODUCTION

This chapter presents summary and conclusions derived and drawn from the study after having presented analyzed and discussed the findings recommendations that can be adopted and implemented to overcome the problems highlighted are also presented in this chapter.

## 5.1. SUMMARY

Organizations take e-procurement as a first priority in improving the organization performance that is why so many organizations are practicing e-procurement and the applications are e sourcing. E-informing, e-reverse auctions, e-tendering, e-MRO and web-based ERP and e-collaboration. The main reason as to why is to improve performance. Improve customer service, widened sales area, and reduced transaction costs. Organizations face challenges as they endeavor to implement e-procurement thus managers have to come with an e-procurement process to effect its implementation. However companies that have well handled the e-procurement process through their different functions thus bringing about better performance within the organization. There are also other organizations that find it difficult to come up with which functions should and should not be carried out the e-procurement process.

The researcher found out that according to the respondents is that Coca Cola Company practices e-procurement because the majority of the respondents were supporting yes 50% while no were 33%, those ones who were not sure were totaling to 17% which indicates that e-procurement is being practiced and the most reasons to do this comes due to organizational, strategic and operational factors.

The researcher also found out that from the responses about the process involved in e-procurement in Coca-cola Company which are as follows purchasing and supplies 33%, marketing and sales 17%, supplier short time 27% and contract privatization 23%, so far that matter, purchasing and supplies is the best process which is applied in Coca cola company since it contains the highest percentage among all the process involved. The researcher also found out the reasons as to why Coca Cola Company practice e-procurement the first reason is to reduce cost with 40%, improve skills and knowledge, at 27%, and improve efficiency at 33%. So the majority of the respondents strongly agree that Coca-Cola company practice e-procurement in order to reduce costs. According to the respondents the researcher discovered that the benefits in the course of Coca Cola in the course of practicing e-procurement is good at 60%, whereas those who disagree is 40% hence indicating that it has led to the best performance of the organization.

The researcher found out how e-procurement has affected Coca cola and these are among the effects; loss of practical skills 40%, cost reduction 27%, supply market tasks 27%, and loss of strategic resources at 7%, Thos indicates that loss of practical skills has affected the organization more due to e-procurement hence resulting to organizational poor performance.

## 5.2 RECOMMENDATIONS OF THE STUDY

On the basis of the results obtained from the study, the researcher has the following recommendations both to the intending researcher on the same topic and on the management of Coca Cola Company so as to overcome true effects of e-procurement in-order to improve on the performance of the organization.

It is recommended that the management structure of Coca Cola should fully understand the concept of e-procurement before implementing it or putting it

in place in the entire organization understanding the objectives and goals of the organization in order to work in line with them in the end to accomplish the assigned task hence improving the performance of the organization.

Changes should be embraced positively within the organization and among its employees so as to implement the incoming up to date e-procurement practices in-order to position the organization in a competitive advantage globally.

Another recommendation is that parties involved in e-procurement should be able to generate solutions to the problems which can rise up in the organization due to poor implementation of e-procurement than waiting for the problem to come then find ways to overcome it so reacting to the problems like that can result into poor performance in the organization.

The laws governing business to business commerce crossing over to e-procurement are still under developed for example questions concerning the legality and force of e-mail contracts, role of electronic signature plus application of copy right laws to electronically copied documents. So the government (the ICT department) should set adequate security measures to protect data trust issues between buyers and sellers.

Areas of future research in e-procurement should include; the relationship between e-procurement and value chains, the significant of e-procurement in promoting organizational image and E-sourcing and cost reduction of small and medium firms.

## 5.3 CONCLUSION

It has been observed that e-procurement has a big role to improve the organizational performance in the ever changing developing and competitive business environment all over the global whereby organizations have to employ

better e-procurement processes which can enable organizations to eradicate the negative effects of e-procurement in order to enable organizations achieve their set goals and objectives.

From the above discussion, it can be noted that e-procurement offers a number of benefits to the Coca Cola Company. Therefore coca cola should adopt this technology in order to enhance its performance. However despite of these benefits e-procurement offers, they may not be enjoyed due to inadequate/ loss of practical skills and besides customers themselves may not be able to appreciate its importance since most of them are illiterate about it, they have concern about security and privacy and cannot get access to the internet to conduct their business overseas, in other words most of them fear to carry out transactions without direct contact with an individual.

The findings indicate that the concept is established in Coca Cola Company whose performance is good towards the organization. The main the reason as to why Coca cola established the concept is to reduce costs, improve skills, good customer service and widened sales.

In the final analysis, the relationship between electronic procurement and Coca Cola Company exist because for Coca-cola to expand into the global markets, they are more likely to do so by adopting e-procurement in-order to break into global production network. And so through on-line procurement, coca cola is able to increase their overall performance globally.

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**REQUEST FOR AUTHORITY TO COLLECT/ INTERVIEW YOU ON YOUR COMPANY'S USE OF E-PROCUREMENT.**

Dear

Respondent

This questionnaire is designed to help the researcher collect information on the effect of e-procurement and performance in Coca-Cola Company Ltd. The findings of this study will assist the firm to overcome the effects the challenges which comes as a result of e-procurement. These will certainty improves the performance of the company in order to provide high quality products at affordable costs to the public.

You are assured and affirmed that the information you give will be strictly confidential and shall only be applied to make this study a success

I therefore appeal to you to contribute to this study by filling this questionnaire in the most frank and honest manner and returning it to the researcher when he comes to collect it within a week's time.

Should you need any further clarification please contact telephone number (254) 712 784 404

I thank for sparing your time to make this study a success.

Yours sincerely                              Signature

                                             ......................................

Mulinge Antonia Mutindi.

## Appendix I: Questionnaire

**The effect of e-procurement on Coca- Cola's performance.**

**Question for data collection (staff questionnaire)**
**Section A Demographic Profile**

1. Name ............................................................ (Optional)

2. Age bracket

| | |
|---|---|
| 20-24 | ☐ |
| 24-29 | ☐ |
| 30-34 | ☐ |
| 35-39 | ☐ |
| 40-44 | ☐ |
| 45-49 | ☐ |
| 50-54 | ☐ |

3. Gender

| | |
|---|---|
| Male | ☐ |
| Female | ☐ |

4. Designation/position

.........................................................................................................................

5. Marital Status ☐
a) Married ☐
b) Single ☐
c) Divorce/separate ☐
d) Widow ☐
e) Other specific question

6. Maximum level of education attained

Primary ☐

Secondary ☐

Tertiary ☐

University ☐

Others ☐

7. What is the name of your organization?

..................................................................................................................................

..........................................................................................................

15. Who are the people involved in e-procurement in your organization?

..........................................................................................................

..........................................................................................................

16. Who are the people to monitor e-procurement of goals and services?

..........................................................................................................

..........................................................................................................

17. How often is e-procurement being done in your organization?

..........................................................................................................

..........................................................................................................

18. Give any brief explanation of e-procurement application?

..........................................................................................................

..........................................................................................................

19. Give any other relevant information that you fell is important in solving the problems which comes as a result of e-procurement?

..........................................................................................................

..........................................................................................................

20. Are there any new models of e- procurement your company is adopting? if any specify.

..........................................................................................................

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