

## **The marketplace and the prevailing forms of e-procurement**

The purpose of this research is to emphasize the main professional transformations linked to the e-Procurement systems introduction inside companies.

The inquiry is structured in three main parts. A documentary research, described in the previous report, a qualitative research addressed to a small sample of significant companies, an extensive research addressed to a wider and indistinct sample of firms.

The reference system has been identified in the supplier's traditional working process model, which includes the activity and professional competence describers, whereas the interviews on the spot have photographed the real processes, namely the ones currently existing in the company after the introduction of the e-Procurement.

The comparison between the reference model and the present photographs has allowed to point out the intervening variations, likewise the analysis, comparison and elaboration of the collected data has allowed to better understand and describe the main dimensions of the change.

Most of the times the e-Procurement projects ordering comes from the top executives, with the objective of improving the internal processes; the system is implemented with an order transmission functionality, auction management or production and management of statistics and reports. It is mainly used for the purchase of MRO (*Material Repair and Operation*), for indirect goods, services and direct goods.

The changes that the introduction of an e-Procurement system generates on the Purchase Function differ in the various organizations, especially in terms of specific activities. On the other hand, transversally to the various firms some common elements emerge such as: development of new activities strictly linked to the system, change of the activity mix performed by the "buyer", more focusing on the strategical/high added value activities, increase in the control and process management. Moreover, the disappearance of some trans-national activities takes place. A modification surveyed in the mix of activities of the Purchase function causes a modification in the working process in the typical phases of design/selection/ administration; they are balanced, but the weight of the latter decreases a lot to the detriment of the other ones.

Most companies declare that there were no substantial changes, on the contrary they report that some of the activities are still carried out as before the system introduction; some other activities are enriched with contents and value (organizations of auctions and contests, suppliers scouting, preparation of internal catalogues); some new activities were added, the ones closely linked to the use of the tools the system is now making available; the last group of already existing activities tend to be less and less important or disappear. However, on the whole all firms agree that the Purchase Function activities can be carried out better and more efficiently after the e-Procurement implementation.

The changes of the Purchase Function activities have lead to the birth of two new positions: the *System Process & Tools Manager* and the *e-Sourcing Manager*.

The analysis of the changes in the professional competences is addressed to the buyer position, as leading role of the Purchase Function.

The interviews have pointed out that the nucleus of professional competences characterizing the buyer is maintained even after the introduction of e-Purchasing systems, even if it has been noticed that more time and attention is now being devoted to them. First, we may say that the system requires a good level of process comprehension knowledge and a minimum ability level to allow the buyer to operate properly. A second, new professional competence is the capacity to support colleagues, internal users and external suppliers in the use of the system. In particular, the competences assuming more importance compared to the past are: the capacity to develop purchasing strategies consistent with the company target, both organizing effectively your job and using the possible synergy of the team work, the development of wider commodity knowledge, both in terms of product technical insight and broadening to new commodity types.

In the Purchase Function the importance of people's involvement and the need to take action on their competences in order to support and accompany the e-Purchasing system introduction has given rise to a set of interventions with a training character. These interventions have assumed different characters and forms with regard to the function structure, the organization, the dimension, the type of implementation executed. Two thirds of the companies interviewed have given rise to training interventions which are particularly articulated and developed in time.

The introduction of the e-Procurement involves, to a various extent, also the other company functions. The most affected functions are Information Technology, Administration, Production and Service. In particular, the changes generated in the activities are the issue of the purchase order, the order expediting and the updating of the system functionality. The impact of the e-Procurement on these functions has started some processes of organizational change which – at various levels and to different extent – turn to new objectives to be reached from both the organizational and the professional viewpoint. Summing up, we may say that the introduction of the e-Procurement system requires people to perform their activity in a more effective and easy way, with a higher responsibility on the results and the methods to organize and carry out one's job.

As it already emerged for the Purchase Function, these change processes have required the realization of supporting actions. In most cases, these actions have been realized in the advanced stage of the development and have accompanied its entry into service. The recorded actions had both an information and a training character, and for the latter they focused particularly on the operative capacities. Among these, the most widespread way appears to be the training course, which usually has a short duration and is realized "in house".

The interviewed companies said that the introduction of the e-Procurement system has aroused different reactions in their suppliers, requiring the overcoming of various kinds of difficulty with the implementation of specific supporting actions. In short, this variety of attitudes may be linked to four basic positions: a cautious, expecting position, the availability to accept the new rules of the game, a non-explicit opposition to the system or the newly suggested relationship method, the refusal or renunciation to use the system. The firms stated that it was difficult for them to tell the supplier about the several advantages he may have using the system. Secondly, it was difficult for them to involve the supplier and his people in the use of the system which sometimes turned out to be more complex than envisaged.

For their part, the firms have supported and accompanied the system introduction planning and realizing a series of actions addressed to their suppliers through written statements, introduction meetings - mostly addressed to the Supplier or his Commercial Manager - , remote assistance, the realization of short training courses to introduce the system and its tools, but, in several cases, some real training courses which are also articulated with some practical training. Compared to the time when the suppliers were involved at the beginning in the e-Procurement project, many firms have reported some attitude variations in their suppliers. Nearly all the firms stated that the system introduction leads to a reduced conflict with the suppliers as regards both the increased transparency

the system imposes on the relationships and the process clarity, as well as the advantage that one can work out much more quickly the possible problems related to the supplies.

Subsequently, the suppliers themselves encourage the firm to increase the system integration degree.

On the grounds of the research evidence and trying to represent – even if in outline – what seems to be the possible development, in the medium/long term, of the e-Procurement, some initial consideration must be directed to the Italian context. Our country seems to be introducing itself late compared to other competitors, such as the North American and European ones, nevertheless it is undoubtedly the protagonist of a substantial increase. Then you have to consider the continuous technological development which will bring about a better accessibility to the information. Finally, in terms of company performances, the e-Procurement systems seem to be able to guarantee significant benefits, especially during weak economic cycle periods which are characterized by the difficulty – or even impossibility – to fully use the price as a market competition lever.

If the reference background in the medium/long term seems to be characterized by a growing spreading of these systems, also the human resource which will be asked to operate in that environment will be more important.

Consequently, it is likely that the transformation of the previously identified buyer position can evolve further according to some dimensions which, at the present state of knowledge, seem to be addressing towards: specialization, inter-functional collaboration, strategical management of the activities.