THE IMPLEMENTATION OF E-PROCUREMENT IN BUSINESS ENTITIES IN TANZANIA: A CASE STUDY OF COCA-COLA KWANZA LIMITED
THE IMPLEMENTATION OF E-PROCUREMENT IN BUSINESS ENTITIES IN TANZANIA: A CASE STUDY OF COCA-COLA KWANZA LIMITED

BY

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A Dissertation Submitted to Dar es Salaam Campus College in the Partial Fulfillment of the Requirement for the Award of Master of Science in Procurement and Supply Chain Management Degree of Mzumbe University, Tanzania

2013
CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by Mzumbe University, a dissertation entitled the implementation of e-procurement in business entities in Tanzania: A case study of Coca-Cola Kwanza Ltd, in partial fulfillment of the requirements for award of the Masters degree in Procurement and Supply Chain Management of Mzumbe University.

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DECLARATION

I, Ephreim V. Bahati, declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other university for similar or any other degree award.

Signature…………………………..

Date ………………………………..

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I extend my appreciation to the Coca-Cola Kwanza Ltd for providing me the information required for the completion of this study.

I would like to thank my family for their moral support, tolerance and their encouragement for the whole period when writing this report.

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DEDICATION

This work is dedicated to my beloved wife Stella L. Temu, my sons Venance, JohnPaul and Daniel who has always been my inspiration for the academic endeavor. However I would like to extend my sincere dedication to my Father Mr. Vicent Sambuo, my Mother Mary Bura Kisoka and my sisters in law Magret L. Temu and Flora L. Temu for their support to me during the all period of my studies. I pray to the Almighty God to bless them all.
## LIST OF ABREVIATIONS

<table>
<thead>
<tr>
<th>Abbr</th>
<th>Description</th>
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<tbody>
<tr>
<td>CCK</td>
<td>Coca-Cola Kwanza.</td>
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<tr>
<td>CIPS</td>
<td>The Chartered Institute of Purchasing and Supply.</td>
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<tr>
<td>ECR</td>
<td>Efficient Consumer Response.</td>
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<tr>
<td>EDI</td>
<td>Electronic Data Interchange.</td>
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<tr>
<td>E-Procurement</td>
<td>Electronic Procurement.</td>
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<td>EPS</td>
<td>Electronic Procurement Systems.</td>
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<tr>
<td>GRN</td>
<td>Goods Receive Note.</td>
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<tr>
<td>ICTs</td>
<td>Information and Communication Technologies.</td>
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<tr>
<td>IOS</td>
<td>Inter-Organizational Systems.</td>
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<tr>
<td>IS</td>
<td>Information Systems.</td>
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<tr>
<td>Ltd</td>
<td>Limited.</td>
</tr>
<tr>
<td>ROI</td>
<td>Return on Investment.</td>
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<tr>
<td>SCM</td>
<td>Supply Chain Management.</td>
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<tr>
<td>SMEs’</td>
<td>Small Medium Enterprises.</td>
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<tr>
<td>VMI</td>
<td>Vendor-Managed Inventory.</td>
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<td>PPA</td>
<td>Public Procurement Act.</td>
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ABSTRACT

The main objective of this paper was to identify the reasons for why many business organizations do not fully apply e-procurement as means of sourcing. Specifically the study intended to identify factors affecting the implementation of e-procurement in business entities in Tanzania. To examine the extent to which those factors affect the implementation of e-procurement; examine the benefits which the organization may acquire by applying e-procurement in sourcing, and to identify the risks and advantages of applying e-procurement in sourcing.

The researcher applied case study research design where by 30 respondents were picked from production, procurement and finance. The researcher collected both primary and secondary data where primarily, questionnaires, interview and observation were applied and secondarily documentary and internet were fully sourced. Data were then analyzed quantitatively and qualitatively using table and percentage in evaluating the results.

Findings from this study revealed that, the implementation of e-procurement in business entities in Tanzania is faced with obstacles like payment risks, lack of training, transactional trust, delivery risks, poor infrastructures, lack of reliable and sufficient power supply, quality issues, lack of clear IT policies and many others. Successful implementation of e-procurement have great advantages and to the community as it assures low costs of production, easier tracking of purchases and improved technology.

In order to overcome the challenges facing e-procurement in Tanzania the researcher recommends that, CCK should develop a clear policy that will govern the implementation of a complete cycle of e-procurement. The government should ensure that, the issue of internet in the country is managed and controlled. Also CCK should provide training to its people as the world is changing day to day. Furthermore researcher recommends that, the government should invest in other sources like solar power, wind, gas and others so as to alleviate power problem in our country.
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CHAPTER ONE

BACKGROUND INFORMATION

1.0 Introduction

This chapter is referred to as an introduction narrating the commencing of the study. It attempts to describe the Company profile, background of the study, statement of the problem, objectives of the study, research questions, significance and limitations.

1.1 Company’s profile

In December 1952, a day before Christmas, the production of Coca-Cola started under the general management of a Greek man called Aris cassolis. He called his plant Tanganyika Bottlers. This plant was situated at Keko, just off Pugu (Nyerere) Road in Dar-es- Salaam. After the union of Tanganyika and Zanzibar in 1964, its name was changed to Tanzania Bottlers. The first salesman was Mr. Cassolis himself, with the assistance of one pick-up attendant; Mr. Mohammed Abdallah.

Mr. Cassolis died in 1978. As a result of his death, his Greek family came to Tanzania to inherit the business. Due to the economic hardship that our country went through in the 1980’s the family was forced to sell the business in 1986. The plant was sold to Mr. Yogesh Mangal Manek and Mr. Jalal Jamal. Under this new management, the company was able to uplift the sales of Coca-Cola and to push Coke back into the competitive beverage market in Dar-es-Salaam, Morogoro, Tanga Dodoma and Mtwara.

By September 1994, the Company was again facing bankruptcy and a severe drop in standard and market share. SABCO (South African Bottling Company) acquired the majority shares of the allying Tanzania Bottling Company. This acquisition later included the bottling plants in Mbeya (Afri bottlers and the Iringa depot), Tanga (Sykes Bottlers), Mtwara (Mtwara Bottlers) and Zanzibar (Zanzibar Bottlers).
also included the five depot areas that support these regional bottlers. These depots were in Morogoro, Makambako, Korogwe, Dodoma and Iringa. Today, Songea, Dodoma, Mtwara and Makambako areas are being managed as manual distribution centers. Coca-Cola SABCO Tanzania closed the Mtwara and Tanga bottlers but has maintained the other three plants.

Of the three bottlers, Coca-Cola Kwanza Limited, in Dar-es-Salaam, is the largest. Coca-Cola Kwanza officially moved into a new $35 million dollar modern facility in Mikocheni, on February 6th 1997. The company currently employs over 500 people directly and provides indirect employment to more than 300 people.

1.2 Background of the problem

The beginnings of e-procurement were in the early 1980s with the development of electronic data interchange (EDI). This allowed customers and suppliers, most often in the fast moving consumer goods business, to send and receive orders and invoices via secure store and call forward networks. These EDI systems allowed businesses to exchange and synchronise master data files on products, prices, specifications and information about each other’s locations and trading practices (Croom, Brandon and Jones, 2004).

In the 1990’s internet software started to become available, and software companies began to develop buyer managed electronic catalogues for use by vendors. Sometimes these proved to be too unwieldy due to failures in communication between customers and suppliers, and software companies started to customise, maintain and host some catalogues, effectively becoming the intermediaries between the buyer hub and the vendor spokes and vice-versa. As the catalogues became outsourced, software companies started to offer the same catalogues to a number of buyers (Neef, 2001).

Electronic commerce is currently driving online growth from an estimated 4% of total world economy in 2003 to an anticipated 30% by 2010 (Timmers, 1999). E-
procurement allows organizations to access potential customers and suppliers via the Internet. Some of the major benefits of e-procurement offer expanded marketplaces, potential cost reductions, productivity improvements, customization of products and services, 24 hour trading and information exchange and management (Raisinghani et al., 2005).

In Australia, Korea, Philippines and Canada; SME’s make up 96% of the private non-agricultural sector and as such their successful involvement within the information economy is seen as being vital to business survival (Martin and Matlay, 2001).

However, it still seems that many SMEs are failing to achieve the levels of e-procurement abilities required to benefit from IT investments in e-procurement (Walker et al., 2003). This is often due to difficulties in adoption and evaluation of IT investments in electronic commerce. In particular, the problems and difficulties in measuring benefits and costs are often the main reason for uncertainty about the expected benefits of IS/IT investments and hence are the major constraints to IT investments in e-procurement (Love et al., 2005).

In Tanzania e-procurement movements have started since 2004 and are undergoing regular reviews in design. Last redesign and soft-launching was in July, 2010. Feasibility study on implementation of full e-procurement in Tanzania was carried out in April, 2010. The study focused on key issue including readiness of existing legislative framework, ICTs, infrastructure, People etc. (Kenneth, 2010).

Therefore, this paper aims on identifying the factors that hinders the implementation of e-procurement in business entities in Tanzania. It will provide some measures and recommendations on what to do so as to facilitate the smooth and quick implementation.
1.3 **Statement of research problem**

This study intends to identify the factors that affect the implementation of e-procurement in business entities in Tanzania, risks accompanied by the use of e-procurement and the advantages and disadvantages of using e-procurement.

To transform a procurement department into an e-procurement environment requires changes in buying behavior. It is a mistake to believe that the establishment of an e-procurement system can be comparable with the purchase of a new computer system. To succeed, significant planning must be done to find solutions that integrate strategy, technology, processes, and people.

Relatively little has been done with regards to empirical studies focusing on e-procurement implementation in Tanzania. Implementation of e-procurement can impact organizations buying behavior (i.e. their buying process, selection criteria and the buying center). The buying process often is described as a sequential process with separate stages, steps, or phases of buying activities that take place from the time that a need arises to the actual purchase and subsequent evaluation (Mitchell, 2000).

The popularity of the Internet has significantly influence organisations’ intentions to use new inter-organizational systems (IOS) technologies such as e-Procurement. While researchers from Information Systems (IS) and management disciplines have studied the implementation issues of the traditional IOS in the private sector from various perspectives, there have been few implementation studies on Internet/Web-based IOS, especially on e-Procurement… (Subramaniam and Shaw, 2002)

This calls for a study into the problem which shall provide measures and recommendations towards successful implementation of e-procurement in business entities.
1.4 Research questions

This section provides the research questions which the researcher used as a guideline in researching the objectives of the study. It is from this question the objectives of the study is derived.

1.4.1 Main research questions

Why many business organizations do not fully apply e-procurement as a means of sourcing?

1.4.2 Specific research questions

i. What are the factors which affect the implementation of e-procurement in business entities?

ii. How do those factors affect the implementation of e-procurement?

iii. How will the business benefit by applying e-procurement in sourcing?

iv. What are the risks of applying e-procurement in business entities?

1.5 Research objectives

1.5.1 Main research objectives

To identify the reasons for why many business organizations do not fully apply e-procurement as means of sourcing.

1.5.2 Specific objectives

i. To identify factors affecting the implementation of e-procurement at CCK.

ii. To examine the extent to which those factors affect the implementation of e-procurement at CCK
iii. To examine the benefits which the CCK may acquire by applying e-procurement in sourcing.

iv. To identify the risks and advantages of applying e-procurement in sourcing at CCK

1.6 **Rationale / Significance of the study**

The significance of this study was based on the following reasons:-

i. The study will help a researcher to expand a knowledge obtained in the theory through practice. This is due to fact that; the researcher had an opportunity to link the literature on e-procurement and the real situation, and identify the impediments towards its implementation.

ii. The study will stimulate further research on the problem concerned. This is due to fact that; this study has cover on factors hindering the implementation of e-procurement, advantages and risks of e-procurement systems. Others can go further on e-markets, e-medicine, e-education and others.

iii. The study will help CCK Ltd to understand the benefits of using e-procurement systems in sourcing various materials, spare parts and others.

1.7 **Scope**

In terms of substance the research concentrated on assessing the factors affecting implementation of e-procurement in the business entity. In so doing the study will dwell into understanding e-procurement in terms of the process, costs involved as well as the benefits and risks for its application in the business entities.

1.8 **Limitations**

In this study, the researcher is likely to face the following limitations:

i. *Time:* The time provided for this study was very limited to accomplish such heavy task.
ii. *Financial resources:* The researcher was self-financed through his monthly salaries. So any delay of salary from his employer lead to unsettled situation taking into consideration the issue of time management.

iii. Some respondents were reluctant in providing the required data about application of e-procurement. This is due to expanded problem of copying and pasting the business of others. Example in recent years, there are many companies erupted, which produce and distributes carbonated soft drinks which are typical to Coca-Cola and its affiliated products. This makes the company and workers in general to be reluctant in providing information.
CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

In this chapter, the researcher critically will look at different studies and other sources that have been done in the past with the subjects that relate to this study and draw out the gap of knowledge, which this study address to pursue in generating new knowledge. In so doing, the researcher shall look at conceptual definitions, theoretical and empirical literature review and conceptual framework.

2.1 Definitions

Procurement means buying, purchasing, renting, leasing or otherwise acquiring any goods, works or services by a procuring entity spending public funds on behalf of a ministry, department or regional administration of the Government or public body and includes all functions that pertain to the obtaining of any goods, works or services, including description of requirements, selection and invitation of tenders, preparation and award of contracts (PPA, 2004).

Electronic procurement (e-procurement) is the electronic integration and management of all procurement activities including purchase request, authorization, ordering, delivery and payment between a purchaser and a supplier. (Chaffey, 2009) E-procurement should be directed at improving performance for each of the ‘five rights of purchasing’ which are sourcing items which are at the right price, delivered at the right time, the right quality, the right quantity and from the right source. E-procurement is not new; there have been many attempts to automate the process of procurement for the buyer using electronic procurement systems (EPS), workflow systems and links with suppliers through Electronic Data Interchange (EDI). These involved online entry, authorization and placing of orders using a combination of
data entry forms, scanned documents and e-mail based workflow. It is convenient to refer to these as ‘first-generation e-procurement’.

Electronic procurement system (EPS) is an electronic system used to automate all or part of the procurement function by enabling the scanning, storage and retrieval of invoices and other documents; management of approvals; routing of authorization requests; interfaces to other finance systems; and matching of documents to validate transactions (Baily et al., 1994).

Supply chain management (SCM) is the coordination of all supply activities of an organization from its suppliers and partners to its customers. Thus for most commercial and not-for-profit organizations supply chain management can be distinguished in two categories which are upstream supply chain which refers to activities which are equivalent to buy-side e-commerce and downstream supply chain which refers to the activities which correspond to sell-side e-commerce. It has to be kept into consideration that supply chain management includes not only supplier and buyer, but also the intermediaries such as the supplier’s suppliers and the customer’s customers.

Therefore because each company effectively has many individual supply chains for different products, the use of the term ‘chain’ is limiting and supply chain network is a more accurate reflection of the links between an organization and its partners. The existence of this network increases the need for electronic communications technology to manage and optimize this network. So Supply chain network refers to the link between an organization and all partners involved in multiple supply chains. Technology is vital to supply chain management since managing relationships with customers, suppliers and intermediaries are based on the flow of information and the transactions between these parties. The main strategic thrust of enhancing the supply chain is to provide a superior value proposition to the customer; of whom the efficient consumer response is important within the retail and packaged consumer goods market. (Chaffey, 2009)
Efficient consumer response (ECR) is a focus on demand management which is aimed at creating and satisfying customer demand by optimizing product assortment strategies, promotions, and new product introductions. It creates operational efficiencies and costs savings in the supply chain through reducing inventories and deliveries” (Chaffey, 2009).

Kalakota and Whinston (1997) defined e-commerce as all electronically mediated information exchanges between an organization and its external stakeholders.
Also the UK government used a broad definition when explaining the scope of e-commerce to industry as:
“E-commerce is the exchange of information across electronic networks, at any stage in the supply chain, whether within an organization, between businesses, between businesses and consumers, or between the public and private sector, whether paid or unpaid” (UK Cabinet Office, 2002).

Electronic business (e-business) refers to all electronically mediated information exchanges, both within an organization and with external stakeholders supporting the range of business processes.
e-marketing refers to achieving marketing objectives through use of electronic communications technology.
Vendor-managed inventory (VMI) is defined as Supply chain partners which manage the replenishment of parts or items for sale through sharing of information on variations in demand and stocking level for goods used for manufacture or sale (Chaffey, 2009).

Reverse Auctions: are the auctions whereby, buyers specify the product they wish to purchase and a price they are willing to pay while suppliers of the product compete to offer the best price for the product over a predetermined timeframe. These results in dynamic competition and pricing that can be closer to true market pricing. A reverse auction is one of the approaches to supplier selection offered through e-Markets, and it is used mainly to procure commodity products that have a simple
specification, and where factors other than price are not significant in the supplier selection decision (Pricewaterhousecoopers, 2001)

2.2 Implementing e-procurement

Implementing e-procurement can mirror existing practices and it can be most straightforward, but many of the benefits will not be gained and the use of new technology often forces new processes to be considered.

CIPS, (2008) forcefully make the case that some reengineering will be required when they state: “Organizations should not simply automate existing procurement processes and systems but should consider improving ways of working and re-engineering business processes prior to the implementation of e-sourcing / e-procurement. Purchasing and supply management professionals should challenge established procurement practices to test whether have evolved around a paper-based system and as such can be replaced. CIPS strongly recommends that, wherever possible, processes should be re-engineered prior to implementing e-purchasing”.

Hildebrand, (2002) illustrates the challenges of implementing e-procurement when he cited a 2002 Forrester Research poll of 50 global 3,500 companies. For these large, international companies, the biggest implementation ‘headache’ was rated as:

i. Training/change management (32%)
ii. Supplier relationship management (30%)
iii. Catalogue management (10%)
iv. Project management (4%)

Carrie Ericson, consultant at e-procurement supplier said that; in her experience: “Challenges often come down to our classic change management dilemmas: getting folks to change the way they conduct business, disrupting long standing supplier agreements, issues around politics and control. In addition, the upfront cost is often a challenge and the ROI [return on investment] can be perceived to be risky. I’m sure
we’ve all heard a lot of stories about costly e-procurement implementations. Finally, the buyers are often nervous about perception. Will the new tools reflect that they have been doing a poor job in the past?” (Chaffey, 2009).

To introduce e-procurement the information system manager and procurement team must work together to find a solution that links together the different people and tasks of procurement. Historically, it has been easier to introduce systems that only cover some parts of the procurement cycle. There are different types of information system that cover different parts of the procurement cycle. The different types of systems are as follows.

i. Stock control system – this relates mainly to production-related procurement. The system highlights when reordering is required when the number in stock falls below reorder thresholds.

ii. CD or web-based catalogue – paper catalogues have been replaced by electronic forms that make it quicker to find suppliers.

iii. E-mail or database-based workflow systems - integrate the entry of the order by the originator, approval by manager and placement by buyer. The order is routed from one person to the next and will wait in their in box for action. Such systems may be extended to accounting systems.

iv. Order-entry on web site – this is the system whereby the buyer often has the opportunity to order directly on the supplier’s web site, but this will involve rekeying and there is no integration with systems for requisitioning or accounting.

v. Accounting systems – networked accounting systems enable staff in the buying department to enter an order which can then be used by accounting staff to make payment when the invoice arrives.

vi. Integrated e-procurement or ERP systems – these aim to integrate all the facilities above and will also include integration with suppliers’ systems.

Companies face a difficult choice in achieving full-cycle e-procurement since they have the option of trying to link different systems or purchasing a single new system that integrates the facilities of the previous systems. Purchasing a new system may
be the simplest technical option, but it may be more expensive than trying to integrate existing systems and it also requires retraining in the system.

2.3 Empirical studies

2.3.1 Benefits of e-procurement

Cambridge Consultants is a manufacturer offering technical product design and development services to commerce and industry. It has hundreds of projects in hand at any one time, which needs a diverse range of components every day.

Purchasing is centralized across the company and controlled by its Purchasing Manager, Francis Pullen. Because of its varied and often unique requirements, Cambridge has a supplier base of nearly 4000 companies, with 20 new ones added each month. Some of these companies are providing items so specialized that Cambridge purchases from them no more than twice a year. Of the total, only 400 are preferred suppliers. Of those, just 10 per cent of the overall supplier base – have been graded key supplier by Cambridge. That number includes RS Components. Francis Pullen says, ‘We charge our clients by the hour, so if a product is faulty or late we have engineers waiting for new parts to arrive. This doesn’t align with our fast time to market business proposition. RS Components’ guarantee of service and range of products fits in with our business ethos.’ (CIPS, 2008)

The existing purchasing process: Pullen has seen many changes and improvements in the company’s purchasing process as its suppliers have used new technology to introduce new services. The first was moving to CD-ROM from the paper-based catalogue. Next was an online purchasing card – an account card with detailed line item billing, passwords and controls. Using industry-standard guidelines from the Chartered Institute of Purchasing and Supply (CIPS), Francis Pullen analyzed the internal cost of raising an order. This took into account every step, from the engineer raising a paper requisition, through processing by purchasing, the cost of handling the delivery once it arrived, invoice matching and clearance and even the physical
cost of a four-part purchase order form. The whole process involved between eight and ten people and cost the company anywhere from £60 to £120, depending on the complexity of the order. (CIPS, 2008)

The main cost is in requisitioning, when engineers and consultants spend their revenue-producing time in identifying their needs and raising paperwork. Using the RS purchase card removes the need for engineers and consultants to raise a paper requisition. This makes low-value ordering much more cost-efficient. Invoice matching costs are also reduced, since the purchase-card statement lists all purchases made each month.

Although the purchase card is undoubtedly an advance, on its own it does not allow costs to be assigned to jobs in the system each day. The purchase-card statement takes a month to arrive, giving rise to an equivalent lag in showing the real costs on internal project accounts.

The e-procurement process: To enable the company to order online immediately, RS put Cambridge’s pre-Internet trading records on the web server. Purchasing agreements and controls were thus automatically set up on the Internet order form, including correct pricing and special payment terms.

The benefit was instantly apparent. The use of the RS purchase card when ordering from the web site meant that the complete order was automatically collated, with all controls in place. Accuracy was assured and the purchase process was speeded up, with the cost per transaction reduced significantly.

Pullen describes the change this has had on Cambridge’s purchasing process. ‘For the first time in our purchasing history, our financial controllers saw the benefit of distributed purchasing because of the cost savings, reassured by the central purchasing controls as back-up. This has benefited us enormously. We have allowed three department heads to have their own purchasing cards, so that they can order independently from the web site.'
We have implemented a very efficient electronic workflow requisition system which is initiated by the purchase card holders and mailed to central purchasing. The orders are held in a mailbox and checked against physical delivery. This has cut out two layers of order activity.

‘In purchasing, we no longer spend our time passing on orders that they have raised, and there is no generation of paper during the order process. It doesn’t just save time and money it is also far more environmentally friendly. Passing on low-value orders each day adds very little value, so devolving this function back to our internal customers frees up our time in purchasing to work on higher-value tasks.’

Results of the changes made in procurement systems were as follows: In the year to June 1999, Cambridge Consultants placed 1200 orders with RS Components, totaling more than £62,000 in value. Of those transactions, 95 per cent went via the Internet. Average order value over the Internet was £34 and accounted for £43,000 of the total business done. The remaining 60 orders were placed through traditional channels but had an average value of £317.

The cost to Cambridge of raising a paper-based order was identified as being £60. Using the combination of the RS purchasing card and rswww.com, this has been reduced to £10 an order. Over a year, this represents a saving of £57,000 to Cambridge. The net effect, therefore, is that its purchases from RS Components now cost it a mere £5,000 a year!

Francis Pullen again: ‘RS has demonstrated its commitment to its customers in spending time and investing money in developing a world-class purchasing system that delivers tangible customer cost savings and benefits. We have welcomed their innovative approach to purchasing and believe they are way ahead of their competition in this sector.’ (www.rswww.com/purchasing)
2.3.2 **Procurement processes**

Before the advent of e-procurement, organizational purchasing processes had remained similar for decades. The end-user of the item selects an item by conducting a search and then filling in a paper requisition form that is sent to a buyer in the purchasing department. The buyer then fills in an order form that is dispatched to the supplier. After the item is delivered, the item and a delivery note are usually reconciled with the order form and an invoice and then payment occurs. However procurement also includes the transport, storage and distribution of goods received within the business which in turn is referred to as ‘inbound logistics’.

2.3.3 **Risk and impact of e-procurement**

The Tranmit (1999) reports that; in the UK and throughout Europe, adoption of e-procurement is low, with less than a fifth of large companies adopting this technology. It may be possible to explain low adoption through a consideration of the risks and impacts involved with e-procurement. A PricewaterhouseCoopers survey of 400 senior European business leaders indicates that security concerns and lack of faith in trading partners are the most significant factors holding back e-procurement (Potter, 2000). Potter states that authentication of identity is the main issue. He says ‘People need to be satisfied about who they are dealing with. They need to know that their messages have not been intercepted or corrupted on the way, and most importantly they are legally non-reputable meaning that the other party can’t walk away from it in a court of law.’ He went further saying that the security fears are well founded, with nearly two-thirds of companies relying solely on password protection when dealing with suppliers. Trusted third-party certification is required for the level of trust to increase. While the Internet may give the impression of making it readily possible to swap between suppliers and use new suppliers, two-thirds of those interviewed said building a trusted relationship with suppliers is necessary before they would trade using the Internet. (Potter, 2000)
Developed countries have devised ways of extending the basis for trust through the impartial enforcement of the law and its adaptation to a new technological environment. This is the basis of trust that underpins e-procurement in the developed world. Where legal and juridical institutions are underdeveloped in developing countries, businesses find themselves at a disadvantage because of insecurity, whether real or perceived. Most users in developing countries are not willing to provide sensitive financial information over the Web. The reluctance to entrust sensitive personal information like credit card numbers to businesses operating on the Web remains strong in developing countries. The lack of a satisfactory redress mechanism in the event of a dispute may strongly hinder online transactions (OECD, 2004). Eurostat figures clearly show that legal uncertainties constitute, at least in some countries, a significant barrier to the adoption of e-commerce by entrepreneurs. Legal uncertainty concerning contracts, terms of delivery and guarantees were mentioned as an important barrier to e-commerce purchases.

The idea of buying goods that one cannot see and touch and from sellers thousands of miles away may take some "getting used to" for those who are used to face-to-face transactions, familiarity with the other party, strong individual relationship and long term association between the parties, and getting satisfaction from winning business negotiations, they are willing to employ a variety of tactics to get the best deal. As one person stated “I like buying over the Internet, but it does not beat going to an actual shop where you can see what you are buying and make sure it’s what you want” (Lawrence, 2002). All of these long standing cultural traits are undermined by and are contrary to the depersonalization associated with e-procurement and business systems designed to sell products online.

The interpersonal relationships with people located at a distance when shopping online is an alien culture to most people in developing country. The face-to-face contact is irreplaceable, you can't replace going to see people; you can't beat having face-to-face interaction for selling or buying products. The limitation on personal contact as a barrier to e-procurement adoption is a reflection of people in developing countries that prefer more direct and individual contact with their merchants.
(Lawrence, 2002). There is still a suspicion of technology that is perceived to destroy their culture and way of life. It is argued that the decrease in human interaction with customers could lead to less understanding of the customers’ needs, as they are not always able to express comments, criticisms or request for new products while interacting with machines. Most entrepreneurs in business entities rely substantially on personal contact to build confidence with their customers, particularly when the relationship is in the establishment phase.

The access charge relative to income affects Internet use. Monthly Internet access charges are still very high in most developing countries. The inequalities in income distribution means the Internet is not affordable for a large proportion of the population in rural areas. The common pattern found across developing countries is the dichotomy between the urban and rural areas in terms of technology use. In urban areas, ICT use is fairly common; while in the rural areas of some developing countries, many small enterprises do not even have computers yet, talk less of Internet access. (OECD, 2004)

Other issues that are seen as barriers to e-procurement adoption are free trade, the monopoly which national governments exercise over national telecommunications, import duties on IT equipment like hardware and software. The elimination of control and deregulation of telecommunication systems is necessary before a free flow of information and an expanded use of ICT is possible. Changes in government policy are perceived as being critical to creating an environment for the broad use of the Internet in many sectors of developing countries. The commitment and participation of Government in Internet service provision and the reduction of import duties will lead to the reduction of costs which will in turn make equipment more affordable and encourage connection to the Internet. (Lawrence, 2002)

Most countries still need to deregulate the telecommunications industry. They also urgently need to formulate information policies that will provide a framework for efficient, widespread and cost-effective use of the Internet. The conditions in most developing countries are sadly not conducive to the widespread, cheap and effective
use of the Internet by the majority of citizens. There is neither a government policy on Internet provision or on the future of ecommerce in most developing countries nor any comprehensive information policy. The absence of national information policies in developing countries means that the government is not involved in Internet provision. (Lawrence, 2002)

Broadband connectivity is a key component in ICT development, adoption and use. It accelerates the contribution of ICTs to economic growth, facilitates innovation, and promotes efficiency. The development of broadband markets, efficient and innovative supply arrangements, and effective use of broadband services require policies that: promote effective competition and continued to stress liberalisation in infrastructure, network services and applications across different technological platforms (OECD, 2004).

2.3.4 The future of e-procurement

In the future, it is suggested that the task of searching for suppliers and products may be taken over by software agents who have defined rules or some degree of intelligence that replicates intelligence in humans. An agent is a software program that can perform tasks to assist humans. On the Internet, agents can already be used for marketing research by performing searches using many search engines and in the future they may also be used to search for products or even purchase products. Agents work using predetermined rules or may learn rules using neural network techniques. Such rules will govern whether purchases should be made or not. Some of the implications of agent technology on marketing are explored by Gatarski and Lundkvist (1998). They suggest that agent technology may create artificial consumers who will undertake supplier search, product evaluation and product selection functions.

Tucker and Jones (2000) also review the use of intelligent agents for sourcing. They foresee agents undertaking evaluation of a wide range of possible alternative suppliers based on predefined quantitative selection criteria including price,
availability and delivery. They believe the technology is already available indeed; similar intelligent software is used for making investments in financial markets. What is not clear is how the software will assess trustworthiness of a supplier or their competence as a business partner or associate.

2.4.1 Conceptual framework

There are many challenges facing the business entities in Tanzania. Some of the include lack of capital, poor infrastructures, lack of sufficient and permanent energy supply, poor technological advancement, slow reaction of Tanzanians towards changes and in my perception corruption and theft are also major challenges.

Lack of capital refers to the amount required to install e-procurement systems. Those items are of high capital which makes many organisations to fail in installing and apply e-procurement systems in sourcing. E-procurement is of high importance especially in these eras of high competition. Every organization is looking for maximizing profit through various ways, one being by reducing the cost of sourcing. By poor infrastructure it means that; the networks for facilitating those systems are not well organized and they are very expensive. This requires a Government support in creating a conducive environment so as to reduce costs of operations. Lack of sufficient and constant supply of power is another impediment towards implementation of e-procurement. E-procurements equipment’s requires enough and constant supply of power. Thus no power no business.

In my perception corruption and theft is another impediment in implementing e-procurement. This is due to fact that in the old practice the system was not open creating environment for corruption and theft. But by using e-procurement everything becomes open.
Figure 2.1 Pictorial relationship of variables

- Infrastructure barriers
  - Technology
  - Telecommunication
  - High access cost
  - (connectivity)
  - Access to equipment

- Socio-culture barriers
  - Transactional trust
  - Shopping as a social place
  - Limitation on personal contact
  - Language/content

- Socio-economic barriers
  - Economic conditions
  - Educational system
  - Payment system
  - Logistics

Source of Research 2013
2.4.2 Underlying assumptions

In order for the business entities to manage application of e-procurement; the following should be taken into consideration. Infrastructures should be well organized, power supply should be constant and at affordable prices, training and motivation to staffs and Tanzanians on changes that place in the world should be provided and understood, every person should think and leave according to his/her income. The Government has to assist in organising the infrastructures.

2.4.3 The elements or variables

The variables in this study are capital, infrastructures, sufficient and permanent energy supply and technological advancement, reaction of Tanzanians towards changes in technology, corruption and theft.

2.4.4 The relationship between variables

Lack of capital, poor infrastructures, lack of sufficient and permanent/constant power supply, poor technological advancement, and slow reaction of Tanzanians towards changes, corruption and theft are some of the impediments for the most of business entities to fail in applying e-procurement as a means of sourcing.

2.5 Statement of hypothesis

Ho: Application of e-procurement can assists in reducing the cost of leaving.
H1: Application of e-procurement cannot assist in reducing the cost of leaving.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter will reveal all methods and techniques which were adopted by a researcher in the whole research study.

3.2 Research design

A case study strategy was adopted by the researcher due to fact that it allows multiple uses of data collection methods such as questionnaire, interviews, observations and documents. Also it allows intensive investigation of the problem based on the time available and financial resources available for this research project. In this study all three research designs which are Exploratory, Descriptive and Explanatory will be used in different stages of this research.

3.3 Area of the study

The study was conducted at Coca-Cola Kwanza Company Limited under Demand and Supply Chain Department. The company is located along Sam-nujoma street; Mikocheni Dar-es-Salaam. This is a multinational company which deals with the production and distribution of carbonated and non-carbonated beverages.

3.4 Study population

The targeted population in this study was workers in the Procurement, Production and Finance Departments.
3.5 Sample and sampling procedures

In this; the researcher used the following techniques.

Simple random Sampling: This allows representative and equal chance of the element in the population selected.

Purposive Sampling: This gives the researcher the freedom of judging who possess the required and relevant information in relation to the problem under discussion.

3.5.1 Sample size

For this study the researcher consulted at least 30 respondents including those in procurement unit, finance department, production and ICT unit.

Table 3.1: Sample size

<table>
<thead>
<tr>
<th>S/N</th>
<th>Department</th>
<th>Population</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Procurement</td>
<td>10</td>
<td>33.3%</td>
</tr>
<tr>
<td>2</td>
<td>Finance</td>
<td>10</td>
<td>33.3%</td>
</tr>
<tr>
<td>3</td>
<td>Production and ICT</td>
<td>10</td>
<td>33.3%</td>
</tr>
<tr>
<td>4</td>
<td>Total</td>
<td>30</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source of Research 2013

3.5.2 Measurable variables

Variables in this study were on the following basis;

Table 3.2 Variables and Number of employees in percentage

<table>
<thead>
<tr>
<th>Variables</th>
<th>Response from Sample of Employees interviewed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does CCK understand the concept of e-procurement?</td>
<td></td>
</tr>
<tr>
<td>Does e-procurement strategy successfully implemented at CCK?</td>
<td></td>
</tr>
<tr>
<td>Are the workers at CCK well trained on the concept of e-procurement</td>
<td></td>
</tr>
<tr>
<td>Does CCK experience any risk in applying e-procurement?</td>
<td></td>
</tr>
</tbody>
</table>

Source of Research 2013
3.5.2 Measurement procedures

The following procedures were followed in measuring the above variables:

a) General understanding of the concept of e-procurement.
   This was measured by observation and conversation and going through procurement policy and procedures used.

b) Workers training and development on e-procurement concepts.
   This was measured by determining number of training provided to workers and their nature.

c) E-procurement implementation.
   This was measured by conversation and going through the current procurement policy and procedures.

d) Risks encountered by CCK through application of e-procurement.
   This was measured by identifying the number of losses due to non-deliveries and loss of payments.

3.6 Data and data collection techniques

3.6.1 Data

Both Secondary and primary data were collected from Coca-Cola Kwanza Limited. These data included those related to procurement plans, procedures, Deliveries and issues. All primary data were collected through interviews and questionnaires.

3.6.1.1 Secondary data

These are data that have already been collected for some other purposes. These were obtained from the organization documents such as purchasing documents including delivery notices, newspapers and procurement policy. This assisted the researcher to have access to more information about the study.
3.6.1.2 Primary data

These are data collected specifically for the research project being undertaken. These data were collected from Coca-Cola Kwanza user departments, finance department, procurement and supplies department. Also were collected from individual persons involved in information communication and technology and they also through interviews and questionnaires.

3.6.2 Data collection techniques

Observation

The researcher used participatory observations as a tool of data collection. Among areas where a researcher made a consultation include; Procurement and production. The aim of been physically in those areas were:

*Procurement:* To know how do they source from various sources in and outside the country. Does e-procurement system procedures implemented? What are the risks of using e-procurement in sourcing? Are there some advantages in using e-procurement in comparison with manual system? What are main factors hinder the implementation/application of e-procurement in sourcing and distribution?

*Production:* To know that; how do they acquire materials like bottles, closures, and spare parts and others from store when required?

Interviews

The researcher conducted a series of interviews ranging from formal to informal interview with the management teams and workers. Among the interviewers were the from procurement and production staffs. The information required from these people was to know the factors affecting the implementation of e-procurement.
Documentary sources

Given the extent of the study, the researcher used some documents such as delivery notices, newspapers and procurement policy.

Questionnaires

This constituted a set of questions, which were prepared in a written form by the researcher in order to collect the required data. In this study, the questions were open ended ones. The respondents were required either to tick the appropriate answer against the answer which satisfies them or to fill the gaps/blank spaces which were provided by giving their opinions. The questionnaires were prepared in English language.

3.7 Data organization, Analysis and Presentation

3.7.1 Data organization

A researcher determined the percentage of the returned questionnaires and start preparing the descriptive data/ information in tables, percentages and charts.

3.7.2 Data analysis

i) Quantitative Analysis

This involved the use of percentages and also presentation of statistics into a simple way.

ii) Qualitative Analysis

This involved the use of non – numerical examination and interpretation of observation for the purpose of discovering underlying meaning of patterns of relationship.
3.8 Validity and reliability issues in the study

3.8.1 Reliability

This is the extent to which data collection technique or techniques will yield consistent findings, similar observations would be made or conclusions reached by other researchers or there is transparency in how sense will be made from the raw data.

3.8.2 Validity

It is the extent to which data collection method or methods accurately measure what they are intending to measure. In this study a researcher is expecting to use various method including Questionnaires, interviews, documentary sources and observation in collecting data. The researcher make sure that, the data collected were free from bias.
CHAPTER FOUR

PRESENTATION OF FINDINGS

4.0 Introduction

This chapter presents the findings of data obtained during the research. This information is connected to the assessment of factors affecting the implementation of e-procurement at Coca-Cola Kwanza Limited. Data were collected using interviews, observation, document and questionnaires. The findings are presented according to the specific objectives of the study. Primary data were collected using developed instrument (questionnaires and interviews). The analysis of the research findings is descriptive and explanatory focusing on factors affecting the implementation of e-procurement in business entities in Tanzania.

4.1 Respondent profile/ data collection process

Data collection was carried out at Coca-Cola Kwanza Limited for the period between March and April and covered issues related to factors affecting implementation of e-procurement in business entities, whereby Coca-Cola Kwanza Limited being a case study representing other business organisations all over the country. Based on proposed; research data were collected by the use of question airing, various reports already available as well as interviewing some of the workers in the department of Procurement and supplies and production.

The table 4.1 below shows departments from which data were collected and type of respondents involved. The table shows number of respondents supplied with questionnaires from each department, 10 respondents were from Procurement and supplies department, 10 from Finance and 10 Production. Generally; the total of 30 respondents were consulted.
The sampling of department was made using purposeful sampling technique, where relevant user departments were identified, listed and consulted basing on their direct link to procurement processes. The sampling frame from user departments was between the user departments at Coca-Cola Kwanza Limited. The sample size was 30 respondents.

### Table 4.1: Types of departments from which data was collected

<table>
<thead>
<tr>
<th>Type of respondents (departments)</th>
<th>No of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement and supplies department</td>
<td>10</td>
</tr>
<tr>
<td>Production department</td>
<td>10</td>
</tr>
<tr>
<td>Finance department</td>
<td>10</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>30</strong></td>
</tr>
</tbody>
</table>

Source of Research 2013

Respondent’s profile included all aspects relating to the respondents background characteristics among which they can be recalled issues like, positions in an organization, educational qualifications and the like.

#### 4.1.1 Respondents positions and their level of education

It was very important to study level of education of respondents; whereby the researcher established the level of respondents and their understanding to the factors affecting the implementation of e-procurement in business entities in Tanzania. It was found that, out of 10 respondents from Procurement department 5 (50%) of them are CSP/CPSP holders, 20% (2) possess Master degree and the rest 30% (3) are Non degree holders; while 2 (20%) of the respondents from Finance department are CPA holders, while 4 (40%) of the respondents are degree holders while the remaining 40% (4) are non-degree holders. However the results from the study shows that 3(30%) of respondents are Masters Holders, while 40% (4) of the respondents are the one possessing degree and 20% (2) of them are non-degree
holders, from Production department. On the basis of the data presented above, researcher found that CCK staffs have enough knowledge to understand e-procurement practices.

**Fig 4.1. Bar chart showing the educational status of the respondents.**

![Bar chart showing the educational status of respondents](image)

Researcher decided to collect data on level of education of respondents because education has huge impact on correctness of data that is collected. This means that, the respondents who are well educated gives true and fair view than non-educated. Moreover they seem to understand the operations and therefore they gave out the right information required.

### 4.1.2 Involvement in information systems

Researcher aimed at understanding how many workers among the respondents are connected to the information systems which include intranets, internet and system packages. It was revealed that, all respondents from each department tare connected
to intranet (Office outlook), 17 (56.6%) are connected to both intranet and internet, and 13 (43.4%) are connected to all (intranet, internet and system packages). This depends with responsibilities of the person to the organisation.

4.2 Factors which affect the implementation of e-procurement.

Researcher intended to get information from Procurement, Production and Finance staffs, of which both of them provided a number of factors which affects the successfully implementation of e-procurement. The majority of respondents accepted to have some challenges which hinder the successful implementation of e-procurement. 28(93.3%) of respondents out of 30 went further by mentioning factors which hinder the implementation.

Table 4.2: percentage for each category of acceptance

<table>
<thead>
<tr>
<th>N=30</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>No of respondents</td>
<td>28</td>
<td>2</td>
</tr>
<tr>
<td>Perception in percentages</td>
<td>93.3</td>
<td>6.7</td>
</tr>
</tbody>
</table>

Source of Research 2013

Only 6.7 %( 2) of total respondents consulted did say that no barriers to the successful implementation of e-procurement to CCK, this is very small percentage compared to the group that gave their opinion otherwise.
The figure 4.2 below presents the analyzed data above in the figure below to provide clear view.

Source of Research 2013

The respondents who were interviewed said that; the availability of credible payment channels such as credit cards contributes in large extent to the failure of successful implementation of e-procurement. An institutional environment that facilitates the building of transactional integrity is critical to the development of e-procurement. “Currently the company is operating with the contracted suppliers. In this way the company pays its suppliers on the way they agreed which in turn ensures the security to both parties”.

From the questionnaires 23 (76.7%) of the respondents mentioned education system as among the factors affecting the implementation of e-procurement. However those who were interviewed went further by saying that; “the state of educational system in our country is also a barrier towards e-procurement adoption”.

93.3% (28) of the respondents who responded to the question, mentioned infrastructure as a factor which hinders the implementation of e-procurement in
business entities in Tanzania. The study identified specific infrastructural barriers hindering the adoption of e-procurement in businesses entities in Tanzania.

Moreover; some of the respondents who were interviewed said that; sourcing direct on line is difficult because, the company relies much on the quality of its products and safety of its customers. “Sourcing on line is difficulty to control the quality and safety to our products users. As you know our products has been in the market for many years all over the World and so the company recognizes its suppliers for maintaining the quality and standards of materials and spares”. So the company relies to its registered suppliers whom it trusts them. For Coca-Cola quality and standards is foremost thing than anything.

Training is something which was highly mentioned by all five respondents who were interviewed. Thus training is provided during orientation and from there, it may take even two to three years without training. “In most cases during installation is where some will be trained. But it might take long time without another while things are changing daily”.

All interviewers said that, another issue which hinders the successful implementation of e-procurement is the problem of unstable power supply. This is due to fact that, no power no system function. Sometimes the tendency of on/off of the power results to damages of some parts, especially when returns in high voltage.

Supplier relationship management is very important in the field of procurement. This area requires much care because any mistake may lead to huge loss to another part. “To some extent the issue of managing the suppliers makes the buyers to be reluctant to implement e-procurement due to fact that; it is very difficult catch him/her in case of any misconduct like wrong supplies”. This was explained by one respondent during the interview.

63.3% (19) of the respondents mentioned transactional trust as a factor hindering the implementation of e-procurement. Thus the move to electronic procurement challenges has many of the basic assumption about trust. This is due to fact that
confidence and trust is an essential requirement for secure electronic trading. On the interviews conducted by researcher revealed that, the question of trust is even more prominent in the virtual world than it is in the real world. “The geographical separation of buyers and sellers, often coupled with a lack of real-time visual or oral interaction, which creates a barrier to e-procurement adoption in business entities. Thus; sourcing on line sometimes they may not be delivered or delivered in wrong quantity and quality. Worse enough you might be dealing with someone whom you do not know him/her. No insurance on such business in case of loss. The best way is to have a person/company with known and understandable contract in a way that you can claim for substandard deliveries and delays”.

Legal uncertainty concerning contracts, terms of delivery and guarantees was mentioned as an important barrier to e-procurement implementation. This was mentioned by 24 (80%) of the respondents who responded to the question; where the researcher wanted to know the factors affecting the implementation of e-procurement. The lack of a satisfactory redress mechanism in the event of a dispute may strongly hinder online transactions as everyone afraid to lose.

Language is another important hindrance to e-procurement adoption. Language has been identified by 26 (86.7%) of the respondents as a barrier that hinders both access to information and to the Internet and participation in e-procurement. One of the interviewee said that; “most of Tanzanians and especially educated ones knows only two international languages which mainly are Kiswahili and English. This makes a barrier to trade with those who knows and speaks those languages. Those who speak other languages like Japanese, French, Germany, Arabic and other international languages become difficult”. Therefore; many people are unaware of how their quality of their lives and their incomes could be improved by skillful use of computer technologies such as the Internet and on-line trading.

All of the interviewees said that, they are sure that, there is a company procurement policy but they are not sure if electronic procurement policy has been developed. “The general Procurement policy is available but it does not explain much about electronic procurement and procedures”. It was observed that, the general
Procurement policy available does not emphasize on the issues of electronic procurement.

Lack of clear policy in our country towards implementation of e-procurement is among the factors mentioned by 27 (90%) of the respondents. However, some of the business entities do not have ICT policies to guide the provision of Internet services. With such a situation, no progress is possible in the absence of clear policies and the determined implementation of such policies. The lack of a policy to guide e-procurement expansion in our country is a major hindrance to the adoption of e-procurement.

Figure 4.3. A pie chart showing factors affecting the successful implementation of e-procurement in business entities in Tanzania.

4.2.1 The benefit of applying e-procurement as a means of sourcing

Respondents were asked to mention the benefits which the organization may acquire by applying e-procurement as a means of sourcing. A researcher wanted to know the factors hindering e-procurement.

Factors hindering e-procurement

- Infrastructural barriers
- Technology
- High access cost
- Access to computer equipment
- Socio-cultural barriers
- Transactional Trust
- Legal uncertainty
- Language
- Corruption
- Economic Condition
- Educational system
- Payment System
- Logistics
- Political and Governmental Barriers
benefits of using e-procurement systems as a means of sourcing to the business entities like CCK. Of all respondents from all departments who were asked this question 28(93.3%) of total respondents; responded positively by mentioning the advantages.

N=30

<table>
<thead>
<tr>
<th>Table 4.3 showing number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td><strong>No of respondents</strong></td>
</tr>
<tr>
<td>YES</td>
</tr>
<tr>
<td>28</td>
</tr>
<tr>
<td>Perception in percentages</td>
</tr>
<tr>
<td>93.3</td>
</tr>
</tbody>
</table>

Source of Research 2013

4.2.1.1 Cost reduction

The researcher aimed to know the possible benefits which the business organization may acquire by successful implementing the e-procurement systems. Among the respondents who responded to the question 25 (83.3%) mentioned cost reduction as the major advantage on using e-procurement. The costs can be reduced by leveraging volume, having structured supplier relationships and by using system improvements to reduce external spend while improving quality and supplier performance. However, those who were interviewed said that, e-procurement helps in eliminating paperwork, travelling fees, rework and errors.

4.2.1.2 Controls

Of all respondents 17 (56.75) said that e-procurement increase controls in all aspects including quality and value for money in goods and services rendered on-line. The standardized approval processes and formal workflows ensure that the correct level
of authorization is applied to each transaction and that spend is directed to draw off existing contracts. Compliance to policy is improved as users can quickly locate products and services from preferred suppliers and are unable to create maverick purchases.

4.2.1.3 Rise in technology

The total respondents of 23 (76.7%) said that e-procurement contribute in the rise of technology to CCK and to other organizations in the country in general. This is due to fact that, e-procurement advantages can only be fully realized when the systems and processes to manage it are in place.

4.2.1.4 Tracking the organizational spending

The respondents 16 (53.3%) said that e-procurement assist tracking of the spending in purchases. The centralized tracking of transactions enables full reporting on requisitions, items purchased, orders processes and payments made.

4.3 The impact of e-procurement

Researcher aimed at collecting views of the respondents on the impact of e-procurement implementation on procurement operations and performance measures. The results are presented with respect to the participation of users and suppliers in e-procurement and the effect of e-procurement on centralization in the procurement function. The researcher presents the impact of e-procurement on operational and strategic performance measures as follows

4.3.1 Participation of buyers and suppliers

The results from the respondents whom positively replied to this question, shows an interesting contrast between the participation of buyers and suppliers. On average
53% of the supplier’s products are made available through the e-procurement systems, but only about 10% of buyers use e-procurement for their purchases.

**Figure 4.4. Showing the level of buyer and supplier participation in e-procurement.**

![Graph showing participation](chart.png)

Source of Research 2013

### 4.3.2 Increase in centralization

CCK has three branches all over the country. Its main branches are Coca-Cola Kwanza Dar-es-Salaam which is the headquarter, Mbeya plant and Zanzibar Plant. CCK has centralized its procurement functions at headquarters but before each plant sourced its need alone (decentralized).

**Figure 4.5 Showing the effect of e-procurement on centralization**
The figure above shows that, the trend of centralizing the procurement function after use of e-procurement has increased. Furthermore, the analysis indicates that the increase in centralization to some extent is related to the level of benefits from e-procurement system. The results also suggest that the benefits of increased centralization are realized more by the organization.

### 4.3.3 Impact of e-procurement on operational measures

The figure below shows that, the top operational benefits are the reduction in procurement errors and reduction in maverick purchases. About 33% of the respondents reported an average error reduction of 40% and above. Whereby; about 33% of respondents said that maverick purchases have been reduced by 40% and above after implementing e-procurement.
Another major operational benefit from e-procurement is the reduction in staff time required to process procurement transactions. Thus about 33% of the respondents say that CCK realized a reduction of 40% or more in staff needs for procurement after implementing e-procurement. The effect of e-procurement on reduction of indirect materials inventory has been less significant than that of other benefits. About 30% of the respondents reported a reduction of less than 20% in the inventory.

4.3.4 Impact of e-procurement on strategic measures

Beyond the operational benefits, most supply chain managers are interested with the effect of e-procurement at the bottom-line. The major indicators of performance are procurement costs, product quality, supplier delivery performance, and user
satisfaction. A major anticipated benefit of e-procurement is the ability to achieve significant reduction in the price paid for the goods and services. The results from the respondents are displayed below as follows.

**Figure 4.7. Showing the impact of e-procurement on strategic measures**

![Bar chart showing the impact of e-procurement on strategic measures](source.png)

Source of Research 2013

The figure above shows that, the impact of e-procurement on the strategic objectives is moderate as seen by the mean response for each strategic measure. User satisfaction is the most influential, which translates to slightly above moderate impact, while the impact of product quality is low which translates to low impact. About 53.33% of the respondents said that e-procurement has a moderate or significant impact on their user satisfaction, whereby about 26.67% reported significant impact.

However, about 46.67% of respondents said that e-procurement had a moderate impact on the quality of their purchases, with just 6.67% reporting significant impact.
impact. On the other side 40% of the respondents said that e-procurement had no impact on the quality of their purchases.

4.4 The possible risks of applying e-procurement in business entities

Researcher aimed to know the possible risks which the organization may face by implementing e-procurement. Thus; if the risks of using e-procurement in sourcing are high might be the hindrance for successful implementation. The respondents were asked to identify the possible risks of using e-procurement the results were as follows:-

Table 4.4 Showing the respondent comments on the risks of e-procurement

<table>
<thead>
<tr>
<th>Risks of e-procurement</th>
<th>No. of respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal risks</td>
<td>21</td>
<td>70.00%</td>
</tr>
<tr>
<td>Delivery risk</td>
<td>22</td>
<td>73.33%</td>
</tr>
<tr>
<td>Payment risks</td>
<td>19</td>
<td>63.33%</td>
</tr>
<tr>
<td>Insurance Policy</td>
<td>20</td>
<td>66.67%</td>
</tr>
</tbody>
</table>

Source of Research 2013

4.4.1 Legal risks

The results from the data collected from the field shows that out of 30 respondents who responded the above question 21 (70%) of total respondents identified Legal risks as one of the factor hindering the successful implementation of e-procurement at CCK. This is due to fact that; the policy governing electronic procurement in our country is not yet implemented, and the lack of policy governing electronic procurement.
4.4.2 Delivery risks

Of all respondents who responded to the question above 22 (73.33%) identified delivery risk as among the factor hindering the implementation of the electronic procurement system at CCK. This refers to the risk of delivering less quantity, wrong specification and poor quality.

4.4.3 Payment risks

The total of 19 (63.33%) respondents identified payment risk as a hindrance towards the implementation of e-procurement. This refers to payment to wrong person or sometimes paying to a correct person/account but denies to have received the payments. Such situation deteriorates the relationship among the parts.

4.4.4 Lack of insurance policy

The table above shows that; the total of 20 (66.67%) respondents identified lack of insurance policy governing the electronic business to be the hindrance to the implementation of electronic procurement. Every business organization aims at maximizing profit and minimizing risks. Thus when ordering online and it happens that, no deliveries nowhere to claim and sometimes it is difficult to sue before the court of law.
CHAPTER FIVE

DISCUSSION OF FINDINGS

5.0 Introduction

This chapter will discuss some of the facts which were obtained from the research. The researcher will analyse them in comparison with the literature review. The aim is to see how the literature says and the real situation is.

5.1 Involvement in information systems

It was revealed that, CCK has well educated staffs, and to large extent they are well involved in information systems by being connected in the company communication systems. With that; most of staffs communicate through e-mails. According to Hildebrand (2002), E-mail is a first step in e-commerce, as it allows a firm to access information and maintains communications with its suppliers and buyers. This can then lead to more advanced e-commerce activities. This signifies that CCK is on track towards e-procurement.

5.2 Factors hindering the e-procurement

Payment systems.

In the study it was revealed that, among the factors hindering e-procurement in most of Tanzanian business entities is payment systems. Thus; the payment systems in Tanzania to some extent do not favor e-procurement to match forward. This is due to lack of supportive electronic payments infrastructures such as credit cards. This infrastructure makes payment over the Internet possible (through credit, debit, or smart cards, or through online currencies). It also makes possible the distribution and delivery (whether online or physical) of those products purchased over the
Internet to the consumer. Its growth further requires the establishment of reliable and secure payment infrastructures to avoid frauds and other illegal actions. PricewaterhouseCoopers survey of 400 senior European business leaders indicates that security concerns and lack of faith in trading partners are the most significant factors holding back e-procurement. This survey was done in Europe (developed countries) whereby the situation facing the business organisations during that survey is the same like the situation facing our business entities. Thus every organization need to trade with the one or organization which is faith full.

Most organisations in Tanzania are unable to purchase online because credit cards are not accepted without a signature. Therefore an additional confirmation via fax is necessary to complete the payment. However, in the case of fraud, the credit card holder and not the issuer bears the loss, which makes the customer reluctant to provide information and to use credit cards in an environment where the privacy and security issues are not guaranteed. Beyond individual transactions, full efficiency and realization of the benefits of e-procurement depends on rapid authorization, payments, and settlement of accounts.

Quality.

Another issue hindering the e-procurement implementation is the issue of quality of materials and spare parts which are sourced direct online. This is due to fact that it is impossible to know exactly to whom you are communicating with, and the faithful of that person. Likewise someone may take advantage of supplying wrong specification because it is difficult for inspection to be done before delivery.

The company relies much on the quality of its products, and they are proud of been in the market for long time, and it wishes to continue staying in the market. The main thing which they believe has assisted them to survive in the market is the perfect quality and standards of its products all over the world. Thus a Coca-Cola at Dar-es-Salaam is the same like in London, Johannesburg and any other place in the world.
Been the case; the company source its raw materials and spare parts to its registered suppliers who qualify and meets the standards of Coca-Cola international. In this way the cost of sourcing remains the same as per the contract between company and its suppliers. So because of that way it is difficulty for the company to enjoy the opportunities of saving through on-line sourcing.

This is highly supported by CIPS (2008) when they state that: “Organizations should not simply automate existing procurement processes and systems but should consider improving ways of working and re-engineering business processes prior to the implementation of e-sourcing / e-procurement. Purchasing and supply management professionals should challenge established procurement practices to test whether have evolved around a paper-based system and as such can be replaced. CIPS strongly recommends that, wherever possible, processes should be re-engineered prior to implementing e-purchasing /e-procurement”.

**Power problems.**

Power supply in Tanzania for the past two decades has been a major issue. In most cases some company has got huge loss due to lack of constant and sufficient power supply. E-procurement systems and other software packages require power full time. Due to lack of constant power supply some companies and especially the small business enterprises fear to install such systems with the fear of been damaged by power interruption.

For longtime traders and companies have claiming about the high cost of production due to lack of constant and sufficient power supply. To large extent it discourages the companies to install different package systems. The only alternative means of getting power is through the use of generators which consumes diesel and which also not a friend of the investor in terms of price per liter.
Educational system.

Education system in Tanzania does not favor the electronic systems to operate sufficiently in both private and public sectors. This is due to fact that, from primary schools till when a student reaches to a level of university some do not even know how to switch on and off a computer.

Lack of ICT training from the lower level classes and business skills are widespread impediments to effective adoption of e-procurement. The lack of appropriate IT education is perceived to be a reason why the potential value of computers and the Internet as a means to participate in e-procurement is not appreciated. Our school curriculum does not include computer education and where included is not seriously considered because there is no practice. There is a need for early computer education so that people could become computer literate in school. This is due to fact that; computer literate populations have greater potential to appreciate and participate in e-procurement. People would have to be comprehensively trained and educated before they could benefit from the advantages offered to them by the Internet and e-procurement.

To my views, the issue of computer know how cold start from early classes. Thus during primary schools students should be provided with some basics of computer operations, and when he/she reaches a level of secondary they might be familiar with computer and lean about different programs and if possible to lean on how to write a computer program. Such student when reaches a level of university will be an expert instead of the current situation.

Poor infrastructures.

This is another issue which pulls back the implementation of e-procurement in many organisations and especially in SME’s (small and medium business enterprises). Some of the barriers include lack of credit cards and convenient payment means, poor distribution logistics, lack of specialized, trust-worthy online merchants of
reasonable size, imperfect legal system, and lack of large scale telecommunication transmission capability.

Potter (2000) states that; authentication of identity is the main issue. He went on saying that; “People need to be satisfied about who they are dealing with. They need to know that their messages have not been intercepted or corrupted on the way, and most importantly they are legally non-reputable meaning that the other party can’t walk away from it in a court of law.” He goes on to say that the security fears are well founded, with nearly two-thirds of companies relying solely on password protection when dealing with suppliers. Trusted third-party certification is required for the level of trust to increase”.

Infrastructures should be implemented first prior to the implementation of the electronic systems of sourcing and purchasing. It is very important to think other means of securing the confidentiality of the information to the user instead of password protection which is risk to either of the party.

**Training.**

The world keeps changing day to day. Therefore trainings are highly required so as to keep the workers changing and cope with the changing environment. Lack of frequent trainings especially in information and communication systems retards the speed of implementing e-procurement. This is due to fact that, any new idea to people will face some resistances. These resistances sometimes occur due to lack of knowledge on the particular issue. Training is a cure for such resistances. Another phase of resistance is that one which is caused by nature of people. Thus, some people like to do as per their daily routine. Such people always tend pull back the efforts of implementing a new way of doing things. And especially where the new version of doing work has impact like redundancy from job, such plan will face strong resistance from workers. However resistance might be among the management members themselves also.
This is well clarified by Carrie Ericson a consultant at e-procurement supplier said that; in her experience: “Challenges often come down to our classic change management dilemmas: getting folks to change the way they conduct business, disrupting long standing supplier agreements, issues around politics and control. In addition, the upfront cost is often a challenge and the ROI [return on investment] can be perceived to be risky. I’m sure we’ve all heard a lot of stories about costly e-procurement implementations” (Chaffey, 2009).

Moreover Hildebrand (2002) illustrates the challenges of implementing e-procurement when he cited a 2002 Forrester Research poll of 50 global 3,500 companies. He said that; ‘For these large, international companies, the biggest implementation ‘headache’ is training / changing management which among other factors was rated to have 32%’.

**Procurement policy.**

For the successful implementation of anything a clear policy should be in place. Failure to have a clear policy on a certain plan is like having a plan to travel without knowing the road or means of reaching the destination. It was observed that there is a general procurement policy which emphasizes that everything should be obtained from the registered suppliers, and steps to follow.

In order for electronic procurement to be implemented here should be a clear policy which provides the procedure to follow when sourcing online. So lack of electronic procurement policy is another impediment towards successful implementation of electronic procurement systems in business entities.

**Supplier relationship management.**

On his research Hildebrand (2002) illustrates the challenges of implementing e-procurement when he cited a 2002 Forrester Research poll of 50 global 3,500 companies. He said that; “For these large, international companies, the biggest
implementation ‘headache’ is supplier relationship management”. This was rated to have 30% which was preceded by the change management.

The management of supplier relationship is of very importance for the success of any business. Due to some of the risks like legal uncertainties, payment and delivery risks made some of the companies to afraid to use electronic procurement. Thus with a contracted supplier it is simple to make follow-up on deliveries and when there is breach one party can sue the other on the court of law, something which is difficult in electronic procurement.

The research conducted by Hildebrand (2002), based on large business companies in Europe and they found to have such problems, the question to ask is that; if the situation is so in developed countries; how the same will it be in SME’s in Tanzania?

The Public Procurement Regulation no. 121 (1) expresses that a procuring entity must be responsible for effective management of any procurement of goods, services or works which it undertakes. In this vein the procuring entity has to monitor;

- The timely delivery of goods and services as per terms and conditions in the contract.
- The progress and timely completion of works as per terms of contract.

Language.

Another factor which pulls back the implementation of electronic procurement is language. This is due to fact that most of Tanzanians and especially educated ones, knows only two international languages which mainly Kiswahili and English. Only few have tried to learn other international languages. This makes a barrier to trade with those who knows and speaks those languages only. Those who speak Japanese, French, Germany, Arabic and other international languages become difficult due to communication breakdown. Therefore, many people are unaware of how their quality of their lives and their incomes could be improved by skillful use of computer technologies such as the Internet and on-line trading.
Political and Governmental Barriers.

Government initiatives are important in the adoption of e-procurement and other ICT in general. They can be in terms of promotion of ICT usage, education and the establishment of adequate regulatory framework for e-procurement. The commitment and participation of Government in Internet service provision and the reduction of import duties will lead to the reduction of costs which will in turn make equipment more affordable and encourage connection to the Internet.

The availability of a wide range of Internet connections and other communication services, preferably at competitive prices, may affect organisations decisions to adopt e-procurement and allows users to choose different and appropriate services according to their specific needs and expectations from on-line activities. Broadband faster speeds improve the overall on-line experience for both individuals and businesses, encouraging them to explore more applications and spend more time on line. Internet access prices are a key determinant of Internet and e-procurement use by individuals and businesses. Countries with lower access costs typically have a greater number of Internet hosts, and electronic procurement has developed rapidly in countries with unmetered (flat-rate) access.

E-procurement relies on some technology infrastructures which are relatively expensive for many organizations in the country to afford, and the economic condition of the country is unfavorable; in this case many organizations fail to adopt e-procurement as means of sourcing. For example, the initial and continuing cost of Internet access has dropped in recent years, but still it remains a significant barrier to e-commerce adoption in many business entities (OECD, 2004)

Transactional Trust.

In any business the question of trust is the foremost among the parties trading together. Every part in business aims to get profit and progress. So in order to ensure that; many organisations looks for suppliers who fit their business in terms of
quality, delivery and standards; and enter into contract with them. In that case wherever happens that one part has failed to fulfill its obligations, it becomes liable.

**Legal uncertainty.**

According to the laws of contracts, a business is a legal person. Thus it can be sued before the court of law on its own. In this case the businesses have a legal security, and it gives power for business to trade one another with the power of law especially when they have a standing contract. But when sourcing on-line, it is difficult to know exactly to whom you are communicating with. Sometime times it is possible to communicate with conmen whereby a business may enter into loss. This is what has force many companies to be afraid of engaging in e-procurement because there is no way to recover loss if occurs, or it is difficult to exercise the steps of resolving disputes such as negotiation, adjudication, arbitration and litigation in case of any problem.

When problems arise between the parties trading together through contract they can use negotiation as a means of resolving it. This is a very amicable way of resolving disputes for the parties concerned to come together and sort out things themselves. The vast majority of claims and disputes are settled through this method. The parties in question will talk over the issues in relation to the contract and its terms and conditions and how the implementation has gone the wrong way, who is the cause and how the situation can be rectified. In this case, there should be willingness on the side of either party to have an amicable solution through admission of faults where necessary or intention to even pay compensation when the other party has suffered as a result. This is missing when conducting on line sourcing.

Again if through negotiation the resolution is not reached, the both parties may decide to resolve it through adjudication: This is a process of expert determination whereby an expert is appointed by agreement between the parties either generally or to decide a particular case. Provided the expert keeps within the terms of the
appointment and displays no bias, there is no restriction on the way a decision can be reached.

Arbitration: (CIPS – Preparing and managing Contracts, 2006) provides that, “if at any time any question, dispute or difference shall arise between the purchaser and supplier in relation to the contract which cannot be settled amicably, either party shall as reasonably practicable give to the other notice of the question, dispute or difference. This shall be referred to a person to be agreed upon”.

Many disputes between suppliers and buyers dealing on an international scale are now settled by arbitration. If the parties to a contract are to settle a dispute by arbitration, then they will often refer to arbitration arrangements stated in the contract.

Litigation: this is a way used when a party or parties seek to settle their disputes through court action. This is the least likely; it is regarded as the last resort when the other methods have failed.

Thus in the British law, cases between businesses are normally heard in the High Court. Such disputes are often heard by a single judge. If either party wishes to challenge the judgement of the High Court, they may appeal to the Court of Appeal. If they are not satisfied with the judgement, they may seek to appeal to the House of Lords. It is an adversarial action under procedural rules established under a country’s constitution. It produces a legally binding decision. (CIPS, 2006)

Therefore if the laws and rules governing electronic procurement will be established both locally and internationally, then it will push forward companies towards implementing e-procurement as a means of sourcing.
5.3 The benefit by applying e-procurement as a means of sourcing

Electronic procurement has advantages when is successfully implemented. Among the advantages which the business can acquire by applying e-procurement include cost reduction, controls, rise in technology and tracking the organisational spending.

*Cost reduction.*

Through electronic procurement, the company can reduce the cost of travelling, paperwork, reworks and errors. Thus instead of travelling from one point to another, he/she only uses the internet and send orders and make payments. Also the electronic procurement assists on reducing paperwork which in turn serves time.

This is highly analyzed by Francis Pullen (CIPS) when he analyzed the internal cost of raising an order before implementing e-procurement. He said that, “this took into account every step, from the engineer raising a paper requisition, through processing by purchasing, the cost of handling the delivery once it arrived, invoice matching and clearance and even the physical cost of a four-part purchase order form. The whole process involved between eight and ten people and cost the company anywhere from £60 to £120, depending on the complexity of the order”. So with e-procurement the process is shortened and the cost is reduced. This is justified by CIPS after changes in procurement systems. (CIPS, 2008)

Francis Pullen describes that; the results of the changes made in procurement systems were as follows: -“In the year to June 1999, Cambridge Consultants placed 1200 orders with RS Components, totaling more than £62,000 in value. Of those transactions, 95 per cent went via the Internet. Average order value over the Internet was £34 and accounted for £43,000 of the total business done. The remaining 60 orders were placed through traditional channels but had an average value of £317.

The cost to Cambridge of raising a paper-based order was identified as being £60. Using the combination of the RS purchasing card and rswww.com, this has been
reduced to £10 per order. Over a year, this represents a saving of £57,000 to Cambridge. The net effect, therefore, is that its purchases from RS Components now cost it a mere £5,000 a year!” (Chaffey, 2009)

**Controls.**

Electronic procurement also assists the control of company procurements. This is due to fact that, using electronic procurement; requires some approvals from the authorities in the company. This in turn helps in alleviating maverick purchases. This is justified by Pullen when he described the changes that Cambridge has achieved on purchasing process. He argued that, “For the first time in our purchasing history, our financial controllers saw the benefit of distributed purchasing because of the cost savings, reassured by the central purchasing controls as back-up. This has benefited us enormously. We have allowed three department heads to have their own purchasing cards, so that they can order independently from the web site.” (CIPS, 2008)

**Rise in technology.**

Implementation of e-procurement helps the organization to advance in technology together with its human capital. This is due to fact that, in applying e-procurement it involves many things including electronic requests for information (e-RFI), requests for proposal (e-RFP) and requests for quotation (e-RFQ). These are proven methods to source goods and make the framework agreements that offer the best prices.

CIPS proudly explains that, “In purchasing, we no longer spend our time passing on orders that they have raised, and there is no generation of paper during the order process. It doesn’t just save time and money it is also far more environmentally friendly. Passing on low-value orders each day adds very little value, so devolving this function back to our internal customers frees up our time in purchasing to work on higher-value tasks.”
Tracking the organisational spending.

With electronic procurement system it is easier to track the company’s spending in any certain period of time. This is through centralized tracking of transactions which enables full reporting on requisitions, items purchased, orders processes and payments made by the company.

5.4 The impact of e-procurement

Researcher will discuss the impact of e-procurement basing on the views of the respondents on the impact of e-procurement implementation on procurement operations and performance measures.

5.4.1 Participation of buyers and suppliers in e-procurement

Implementing e-procurement systems are concerned with the level of acceptance of the system both by the internal users and the suppliers. This is due to fact that, without adequate number of buyers purchasing through the system, suppliers may not be motivated to offer more of their products online or provide better deals to corporations using e-procurement. On the other hand, without adequate participation by suppliers, buyers have no incentive to use the e-procurement system. The indicator of buyer participation is the percentage of buyers who use e-procurement for their non-production purchases. The indicator of supplier participation is the percentage of the supplier’s products that are made available through the e-procurement system.

This means that; while there is a critical mass of suppliers participating in e-procurement, there is still resistance from the buyers in using e-procurement. Buyers seem to afraid high cost of installation and other challenges towards implementing e-procurement systems. This is also emphasized by Carrie Ericson (2003) "I’m sure we’ve all heard a lot of stories about costly e-procurement implementations. Finally, the buyers are often nervous about perception. Will the new tools reflect that they
have been doing a poor job in the past?” This analysis shows that, there is a need for organizational managers to focus more on motivating their internal users to participate in e-procurement and maintain the level of participation of their suppliers.

5.4.2 Centralization

A key objective of any organization in moving to e-procurement is to consolidate and leverage organizational spending power and to rationalize supplier relationship; which is achieved by centralizing the procurement information and control, while giving the flexibility to end-users to find the product and supplier that best match their needs.

The great advantage with centralization is the easiest way of tracking the total spending on purchases especially when the company operates in more than one center.

5.4.3 E-procurement on operational measures

The operational measures refer to cycle-time savings, errors savings, staff savings, inventory and reducing maverick buying. E-procurement systems provide both operational and strategic benefits. The operational benefits are related to improving the efficiency of the procurement process and thereby reducing the total costs of procurement. Thus reduction in cycle time and the better availability of purchasing information through e-procurement system help managers to plan better and reduce their inventories and maverick buying.

From the findings, it is observed that the organization does not enjoy fully the benefits of e-procurement. One of the possible reasons might be the inventory policies which are set by supply chain managers basing on various other business factors; and that the cycle time reduction and process efficiency provided by e-procurement system are yet to be reflected in the inventory policies.
For example, e-procurement is aimed at reducing inventories, but due to some unavoidable circumstances, the organization (CCK) has to keep inventories (Chaffey, 2009). These circumstances have been caused by poor infrastructures and the distance from where materials are sourced. So, because the company does not enjoy that benefit due to the prevailing situation; then this becomes another impediment on implementation of e-procurement.

5.4.4 E-procurement on strategic measures

From the findings, the major indicators of performance are procurement costs, product quality, supplier delivery performance, and user satisfaction. A major anticipated benefit of e-procurement is the ability to achieve significant reduction in the price paid for the goods and services.

The results show that, with e-procurement, the product cost remains the same. This is due to the fact that the company operates with its contracted suppliers and the costs of goods already agreed throughout the year. However, the company relies much on the quality of its materials and finished goods while the results depicted negative impact on product quality. When the company fails to realize the benefits of electronic procurement systems; then it is where the difficulties of implementing the same arise (Tucker and Jones 2000).

5.5 E-procurement risks

The Tranmit (1999) reports that; “in the UK and throughout Europe, adoption of e-procurement is low, with less than a fifth of large companies adopting this technology. It may be possible to explain low adoption through a consideration of the risks and impacts involved with e-procurement”.

Every business organization aims at maximizing profit and minimizing risks. The analysis shows that, legal risks, payment risks, delivery risks, and lack of insurance policy governing the electronic procurement are high. This is due to the fact that when
sourcing online, sometimes you may be dealing with wrong persons. And from there a company may get loss.

That’s why Potter (2000) said that ‘People need to be satisfied about who they are dealing with. They need to know that their messages have not been intercepted or corrupted on the way, and most importantly they are legally non-reputable meaning that the other party can’t walk away from it in a court of law. He went further saying that, the security fears are well founded, with nearly two-thirds of companies relying solely on password protection when dealing with suppliers. Trusted third-party certification is required for the level of trust to increase’.

Therefore the presence of many risks on using online sourcing systems pulls back the efforts of companies to implement e-procurement systems.
CHAPTER SIX

SUMMARY, CONCLUSION AND RECOMMENDATIONS

6.0 Introduction

This chapter gives a general summary of the research findings, conclusions recommendations on measures should be taken so that, electronic procurement systems can successfully be implemented at CCK and real benefits to be observed. The chapter also presents the recommended areas for further studies.

6.1 Summary

The distribution and delivery systems are key components to developing e-procurement. It is not sufficient to have a name and a product to adopt e-procurement successfully. It is also necessary for an enterprise to have in place the distribution and delivery channels capable of meeting customer expectations. Speed is one of the most important manifestations of e-procurement. Overnight delivery, just-in-time processing, 24hrs per 7days operations all are examples of how much faster and more precisely timed economic activities are in the e-procurement world.

The inefficient distribution and cumbersome delivery systems and the lack of good transport, and postal system are primary obstacles to the growth of electronic procurement in business entities in Tanzania. There is a very important link between the effectiveness of the distribution and delivery systems and the incentives for the private sector to innovate and invest in new technology.

For example, the mobile phone companies recently have started providing financial services such as M-Pesa, Tigo-Pesa and Airtell money. This system has reduced chaos of many people who queued in the banks seeking for financial services. If the government will prepare a bill of law to govern the business, in future Tanzania will enjoy the quickest services which serve their time. The only problem now is that,
there is no control. People should know that, whenever any of these mobile phone companies fails to operate then how will the people get their money. Formerly we had Cell-tell now Airtel; we had also Mobitel then Buzz and now Tigo we do not know tomorrow or in the near future will be named what. The rights for the people should be well stated and managed.

6.2 Conclusions

The researcher concludes by saying that; the extent of adoption of electronic procurement, is hampered by a range of obstacles including the unavailability and or unreliability of infrastructure, the absence of government policy frameworks, the lack of banking facilities and amenities (such as credit cards), and ignorance on the part of possible users about the enormously beneficial potential of e-procurement. The level of education, the availability of IT skills, the level of penetration of personal computers and telephone within the society hinders adoption of e-procurement. Despite the limitations of e-procurement can be an extremely beneficial tool in business entities provided that certain problems are resolved and provided that the government demonstrates that it has the political will to remove the barriers that currently stand in the way of widespread adoption.

However, relatively little has been done by the government focusing on e-procurement implementation. Implementation of e-procurement can impact organizations buying behavior (i.e., their buying process, selection criteria and the buying center). The buying process often is described as a sequential process with separate stages, steps or phases of buying activities that take place from the time that a need arises to the actual purchase and subsequent evaluation.

6.3 Recommendations

Based on the findings and conclusions from this study, a number of recommendations have been made by the researcher basing on analysis that has been made previously.
Researcher recommends that, for business entities to implement e-procurement successfully, the Government should assist to alleviate the obstacles on the way by enforcing laws and regulations to govern the legal risks.

Among the factors hindering the implementation is lack of insurance policy which governs the business in the systems. The researcher recommends that, the government should establish the insurance policy which in turn will assist to remove fears of trading online.

CCK should develop a clear policy that will govern the implementation of a complete cycle of e-procurement. Without a clear policy it is impossible for the implantation to be done successfully.

There is great need of a general policy to govern the internet all over the country. The government should ensure that, the issue of internet in the country is managed and controlled. This in turn will assist to reduce the costs of access. The higher cost of access is among the impediments which pull back the implementation. However, a presence of a country e-procurement policy will give solution to some obstacles, which pulls back electronic procurement in both private and public sector.

Moreover CCK should provide training to its people as the world is changing day to day. It is difficult to compete in the market if the company does not update its people on new techniques including using e-procurement as a means of sourcing. The literature explains that, whenever there is no obstacles, e-procurement is the most point of reducing the costs of production.

Sufficient and reliable power is very important for the development of a business, technology and the economy of the country in general. For long time in our county, there have been problems of reliable and sufficient power. This is due to over dependence on a single source which is water. A researcher recommends that, the government should invest in other sources like solar power, wind, gas and bio gas willing fully so as to alleviate the problem in our country.
Findings from this study are limited in details due to financial and time constrains. In spite of the limitations these findings can serve as a basis for future detailed studies within the same institutions or others.

6.4 Area for Future Study

This study does not provide an end in itself. The limitations posed in this research provide a push for more inquiries. The research has identified the factors that affect the implementation of e-procurement in business entities. The study has derived some relevant insights which are believed will render a useful contribution in fostering a successful implementation of electronic procurement in business entities in Tanzania.

However, there are other avenues for further research in the subject matter. Another study can be conducted on e-markets, e-medicine, e-education and others.
REFERENCES


Lawrence, J.E., (2002). The Use of Internet in Small to Medium-Sized Enterprises, PhD thesis, University of Salford, UK.


www.rswww.com/purchasing.
APPENDICES

Dear Respondent,

My name is Ephreim V. Bahati, a Master’s student at School of Business - Mzumbe University Dar-es-Salaam Campus. I am researching on “The implementation of e-procurement in business entities in Tanzania”. Being a key player in improving organizational performance, I request you to participate in this study. Your response is very important for accomplishment of this study.

Please respond to the questions freely. No information about individuals needed. All information you provide will be treated with the strictest confidence. The questionnaire will take you about ten (10) min to complete it.

Even if you feel the items covered may not apply directly to your working life, do not ignore them.

It is my sincere hope that you will assist me filling a questionnaire.

Thank you in advance

Yours sincerely,

Ephreim V. Bahati.
1. In which department are you employed/working with among the following?
   Please tick
   i. Production   (  )
   ii. Finance     (  )
   iii. Procurement(  )

2. What is your education qualification? Please tick
   i. Degree holder (  )
   ii. Masters degree holder (  )
   iii. Advanced diploma holder (  )
   iv. None of the above (  )

3. Which of the following professional do you hold? Please tick
   a. CIPS         (  )
   b. CSPS         (  )
   c. CPA (T)      (  )
   d. None of the above (  )

4. Which of the following means of communication in your organization are you connected with? Please tick
   i. Intranets    (  )
   ii. Internet    (  )
   iii. Both intranet and internet (  )
   iv. Intranet, internet and system packages (  )

5. Are there some factors which hinder the implementation of e-procurement at CCK? Please tick. YES. (  ) NO (  )
   If Yes; will you please mention some of them
   i. ........................................................
   ii. ........................................................
   iii. ........................................................
   iv. ........................................................

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v. .................................................................
vi. .................................................................
vii. .................................................................

6. Are there any benefits of using electronic procurement?
Please tick YES ( ) NO ( )

If YES will you please mention some of them?
i. .................................................................
ii. .................................................................
iii. .................................................................
iv. .................................................................
v. .................................................................

7. In the table below, circle your subjective opinion on the attributes of e-procurement implementation in business entities.

**Key:** 1. for Strongly Disagree, 2. for Disagree, 3. for Neutral, 4. for Agree, 5. for Strongly Agree

<table>
<thead>
<tr>
<th>Impact of e-procurement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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</thead>
<tbody>
<tr>
<td>Participation of buyers in e-procurement</td>
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<tr>
<td>Participation of suppliers in e-procurement</td>
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</tbody>
</table>

8. In the table below, circle your subjective opinion on the attributes of e-procurement implementation in business entities.

**Key:** 1. very poor, 2. poor, 3. for Neutral, 4. good, 5. very good

<table>
<thead>
<tr>
<th>Impact of e-procurement</th>
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<th>2</th>
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<tbody>
<tr>
<td>Before centralization</td>
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<tr>
<td>After Centralisation</td>
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</tbody>
</table>
9. In the table below, circle your subjective opinion on the impact of e-procurement on operational measures Key: 1. (0-20%), 2. (20-40%), 3. (40-60%), 4. (60-80%), 5. (80-100%)

<table>
<thead>
<tr>
<th>Impact of e-procurement on operational measures</th>
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<tbody>
<tr>
<td>Cycle - time saving</td>
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<tr>
<td>Error saving</td>
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<tr>
<td>Staff Saving</td>
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<tr>
<td>Inventory saving</td>
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<tr>
<td>Maverick Saving</td>
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</table>

10. In the table below, circle your subjective opinion on the impact of e-procurement on strategic measures Key: 1. Negative impact, 2. No impact, 3. Moderate impact, 4. Significant impact

<table>
<thead>
<tr>
<th>Impact of e-procurement on strategic measures</th>
<th>1</th>
<th>2</th>
<th>3</th>
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<tbody>
<tr>
<td>Procurement costs</td>
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<tr>
<td>Product quality</td>
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<td>Supplier delivery performance</td>
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<tr>
<td>User satisfaction</td>
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</table>

11. Do you think there is any risk of using e-procurement as a means of sourcing? Please tick
YES. (   ) NO. (   )
If yes, please mention some of those risks.
i. ........................................................................................................
ii. ........................................................................................................
iii. ........................................................................................................
iv. ........................................................................................................
v. ........................................................................................................