

**A CASE STUDY ON FACTORS INFLUENCING E-
PROCUREMENT SYSTEM IMPLEMENTATION**



**A THEMATIC PAPER SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR
THE DEGREE OF MASTER OF MANAGEMENT
COLLEGE OF MANAGEMENT
MAHIDOL UNIVERSITY
2015**

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**Thematic paper
entitled
A CASE STUDY ON FACTORS INFLUENCING E-
PROCUREMENT SYSTEM IMPLEMENTATION**

was submitted to the College of Management, Mahidol University
for the degree of Master of Management

on
December 13, 2015



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ACKNOWLEDGEMENTS

I would like to express my appreciation and gratitude to my advisor Asst. Prof. Pornkasem Kantamara, Ed.D., for the continuous support of my thematic paper, for her patience, encouragement, insightful comments and immense knowledge. Her guidance helped me in all the time of research and writing of this thematic.

Besides my advisor, I would like to thank the rest of my thematic committee: Asst. Prof. Parisa Rungruang, Ph.D., and Asst. Prof. Kannika Leelapanyalert, Ph.D., for their time and insightful comments, and suggestion.

I thank my classmate in Major Innovation Management, CMMU: Joseph Chan, Patchara Kaeowirat and Sirikwan Chumpengpan for the stimulating discussions, for the sleepless nights we were working together before deadlines, and for all the fun we have had in the last two years. In particular, I am grateful to my supervisors: Mr. Jason Ahn, CFO and Ms. Peeranuch Piembundit for enlightening me the first glance of research and supporting me throughout the research period including 11 respondents who provided me the great source of information, experienced and knowledge.

Last but not the least; I would like to thank my family for supporting me spiritually throughout my life.

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ABSTRACT

With high competitive in Global industry, innovation, timeliness, cost-efficiency and risk management are the key success factors on sustainable growth. E-Procurement system has turned out to be one IT tool as a part on driven this success to develop partnership with key suppliers by sharing data and forecasts, to get quotations, or even hold auctions to achieve key benefits including sustained value and savings, improved control procurement processes (Compliance and Policy processes), provision of critical management information and optimization of procurement transaction cost. However, it is not just technology implementation but mainly change management to ensure full compliance and the realization of the above benefits. How can organizations best prepare themselves to increase implementation success and organizational change? It is to explore how change was managed through Kotter case study of how a global organization implemented the e-Procurement will be analysed through a qualitative research approach.

KEY WORDS: e-Procurement system / Organizational Change /Kotter's 8-Step Change Model / Bridges' Managing Transitions

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CHAPTER I

INTRODUCTION

The reality of the situation is that e-procurement “goes wrong” for a number of reasons, but there are some tremendous “gone right” stories too. It can make significant savings not only in back-end processing, but also in enabling better use of prevailing contracts through compliance.

1.1 Problem Statement and Research Objectives

e-Procurement is enabled: strategic sourcing, tendering, auctioning, contract management, procurement reporting. It drives many benefits such as sustained value and savings; improved control over procurement processes (auditable processes according to rules and regulations, contract compliancy); provision of critical management information; and optimization of procurement transaction costs. Implementation is not just technology but mainly change management to ensure full compliance and the realization of the benefits and Key stakeholders need to be bought into e-Procurement solution as its value proposition to drives;

- Sustained value and savings
- Improved control procurement processes (Compliance and Policy processes)
- Provision of critical management information
- Optimization of procurement transaction cost.

1.2 Case Study Background

This paper is study on Change management and Managing Transition in implementation of e-Procurement system and centralize procurement activities based

on case study of the electronic company “**Company A**” which was established since 1938 in small trading business, shift to OEM semiconductor in 1989 and turn to produce finish goods, branding themselves till success of its business, and been recognized globally as an industry leader in technology and now ranks as a top 10 global brand. In order to compete with Hi-technology business trend that keep changing faster with a sense of “**New comer must be cheaper and better**” resulting in all departments are authorized to manage their purchasing activities by their own to shorten lead-time when pass through procurement department due to time to market plan, new technology, competitor and customer expectation.

1.3 Scope of study

This research is to study and analyze key success or failure factors in change management of e-Procurement system implementation how this change can applied with Kotter’s Eight-Steps of Change Management and also how effect to stakeholder thereafter organization change from decentralize to centralize procurement by applied William Bridge’s concept of Managing Transitions as framework.

1.4 Research Questions

Factors Influencing e-Procurement System Implementation

1.5 Expected Benefits

This paper will benefit to company who interested in improving their spend management and minimize possibility risk by using e-Procurement system as a tool and also point out how important to centralize procurement department for achieving profitability and risk management. The research will highlight on key influencing factor and lessons learn during implementation.

CHAPTER II

LITERATURE REVIEW

Change is expensive, both of pure cost, diversion of scarce resources, risk and lost opportunity for the business until it is achieved. Companies are looking towards how they can accelerate out of their current impacted markets while still achieving cost savings in order to take back revenues, margins and market share and is based upon improving relationships with customers, suppliers, and partners(Capgemini and Oracle, 2009) said about formalizing processes, defining steps, exception handling, escalation paths, and coordinating the systems needed to accomplish a specific task greatly improves productivity, compliance, and quality of service while relationship between external 'Business Solutions' and internal 'Information Technology' which remains balance.

For more than a decade, investment in Information Technology has centered on automating internal processes with the aim of reducing costs and improving operating effectiveness to support a business model. Additionally, the evolving nature of global business and the network of companies have with vendors are being reconfigured to derive competitive advantage and increase profitability resulting in business requirements recognize new and different technologies and capabilities. The focus is now on people, communications, and collaboration, and data.

Why e-Procurement

E-procurement has been around in various forms for some time. EDI was probably the best known form of e-procurement in the 1980s but lack of flexibility, high costs and limited take-up along the value chain meant that it had limited potential. As a result, moving away from EDI onto Internet based. Many businesses are now using the Internet to develop partnership with key suppliers by sharing data and forecasts, to get quotations, dispose of stock, track goods, or even hold auctions and reverse auctions (Implementing E-procurement by Thorogood Publishing).

According to The Charter Institute of Purchasing & Supply, e-Procurement will be used to include the processes covered in the purchasing cycle Figure 2.1



Figure 2.1: E-Purchasing cycle

The key to understanding e-procurement is to focus less on the technology and more on the change which the technology can enable. The key benefit is the extent to which it:

- Challenge current ways of working
- Encourages procurement to adopt strategic rather than operational
- Potentially aligns the supply base with the needs of the customer
- Management support to new procurement processes.

Aberdeen Group research suggests that early adopters of e-Procurement solutions have seen benefits in a number of areas including :(Aberdeen, 2005)

- Reduce transaction costs
- Improve process efficiency
- Reduce or eliminate “maverick” buying
- Increase contract compliance
- Reduce cycle times
- Save inventory costs

Today, leading enterprises are enjoying e-Procurement’s benefits and expanding their e-procurement systems. As a higher percentage of enterprise spends

categories flow through e-Procurement systems, greater cost savings and other benefits are realized (Best Practices in E-Procurement by Aberdeen group, 2005).

- Sustained value and savings
- Improved control procurement processes (Compliance and Policy)
- Provision of critical management information
- Optimization of procurement transaction cost.

With high competitive in Global industry, innovation, timeliness, cost-efficiency and risk management are the key success factors on sustainable growth. E-Procurement system has turned out to be one IT tool as a part on driven this success (Selecting an e-Procurement Solution Buy IT, 2006)

Asian and Pacific region have increasingly adopted IT communication to transform business processes between the suppliers and the Government. E-procurement increases efficiency and cost-effectiveness and enables equal access to the public sector market. Developing countries can use e-procurement as a tool to achieve better governance and enhance economic development (United Nations, Asian Development Bank, South Korea, E-procurement, 2006).

2.1 Factor that affect e-procurement implementation

Change management focuses on people, and is about ensuring change is thoroughly, smoothly and lastingly implemented. Implementing e-procurement is such a substantial change management challenge, precisely because it can impact every part of the organization includes those who are directly impacted and or unconcerned about the cost to the company of procuring goods and services, and the benefits to be gained by doing it better (mindtools.com). Different factors that affect e-Procurement implementation are described;

2.1.1 E-procurement will target every part of the organization

- Buyers i.e. users of catalogues or Market specialists
- Administrators
- Managers (junior and senior)
- Finance (payment and reconciliation)

- Warehousing (receipt of goods in, inventory)
- IT (operationally and buying)
- Vendors

2.1.2 Key process of driving Change Management in e-Procurement (AshishBhateja, World Bank)

2.1.2.1 Process as a driver of change

- Business Process Re-engineering
- Metrics for measuring performance
- Supplier community

2.1.2.2 Platform as a driver of change

- System ownership
- Technology
- Security

2.1.2.3 Policy as a driver of change

- Procurement policy
- Legal framework
- Management of procurement

2.1.3 How to prepare for e-Procurement implementation

- **Sponsorship:** Ensuring there is active sponsorship at a senior executive level within the organization, and engaging to achieve the desired results.
- **Buy-in:** Gaining buy-in for the changes from those involved and affected, directly or indirectly.
- **Involvement:** Involving the right people in the design and implementation of changes, to make sure the right changes are made.
- **Impact:** Assessing and addressing how the changes will affect people.
- **Communication:** Telling everyone who's affected about the changes.

- **Readiness:** Getting people ready to adapt to the changes, by ensuring they have the right information, training and help.

2.2 The challenges of change implementation

Staff's resistance: Organizational change management includes tasks, measurements and actions towards an overall change. An organizational change management is necessary for the realization of new strategies, structures, systems, processes and / or behaviors which should be implement into the organization (Jurkscheit, 2014)

The factors that are likely to lead to resistance to change include: vested interest and desire to protect a personally favorable status quo, fear and anxiety, lack of clarity, and low tolerance for change, arising from low tolerance for ambiguity and uncertainty.

It is important for managers in information institutions to understand the nature of resistance and to take steps to overcome or minimize resistance to change.

To identifies four different areas that have to be analyzed in order to effect positive changes: facilities/equipment, organizational structure, personnel, and workflow/communication patterns.

Resource readiness: (Craig Rader, 2012) since this e-Procurement system is related to both internal and external. One success factor is whether our vendors are capable or readiness to use technology.

Self-interest: (Leanne Cutcher, 2009) Resistance to change is major factor that we have to deal with especially this system is concern with both internal and external so it might impact to previous behavior of various parties

Misunderstanding: (AshishBhateja, World Bank) The most important of the implementation is the change-management aspect. The technology is not difficult to use; it really doesn't take that long to pick it up. It's the change-management and the engaging with category managers and the sustainability that takes time. Training and Guiding are very important to set the same understanding and security of

information is another challenge how to ensure those will be submitted by the real vendors to prevent fraudulent.

The relationship among the above factors are shown in Figure 2 which have an impact on employee's acceptance of the e-Procurement system (Rahim, 2008)

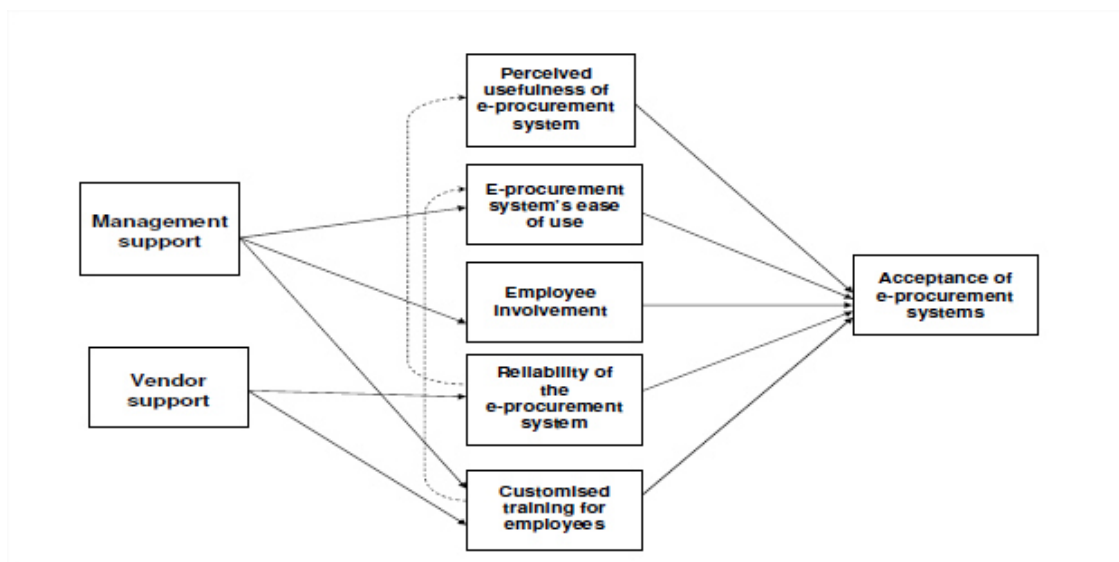


Figure 2.2: Factors affecting employee acceptance of e-procurement system

2.3 Organizational Change using Kotter's 8 Steps (Kotter, 1995)

Step 1: Establishing a sense of urgency

This may help the organization spark the initial motivation to get things moving for change to happen.

- Examining market and competitive realities
- Identifying and discussing potential crises, or major opportunities

Step 2: Forming a powerful guiding coalition

Convince people that change is necessary; this step is required support from key people within the organization. To lead change, the organization need to bring together a coalition, or team, of influential people whose power comes from a variety of sources, including job title, status, expertise, and political importance. Once formed, the organization's "**change coalition**" needs to work as a team, continuing to build urgency and momentum around the need for change.

- Assembling a group with enough power to lead the change effort
- Encouraging the group to work together as a team

Step 3: Creating a vision

Link many great ideas and solutions concepts to an overall vision that people can grasp easily and remember. A clear vision can help everyone understand why company asking them to do something.

- Creating a vision to help direct the change effort
- Developing strategies for achieving that vision

Step 4: Communicating the vision

Message will probably have strong competition from other day-to-day communications within the company and embed it within everything that the organization does. Use the vision daily to make decisions and solve problems. Demonstrate the kind of behavior that the organization wants from others.

- Communicate the new vision and strategies
- Teaching new behaviors by the example of the guiding coalition

Step 5: Empowering others to act on the vision

The Change team plan to put the structure of change and continually check for obstructed and limitation by empowering the people the organization need to execute the organization's vision, and it can help the change move forward.

- Getting rid of obstacles to change
- Changing systems or structures that seriously undermine the vision
- Encouraging risk taking and non-traditional ideas, and actions

Step 6: Planning for and creating short-term wins

Create short-term or smaller targets, "**quick wins**" which the organization can see or to be achievable, with little room for failure, not just one long-term goal. Without this, critics and negative thinkers might hurt the organization's progress. Change team may have to work very hard to come up with these targets, but each "**win**" that the organization produce can further motivate the entire staff.

- Planning for visible performance improvements
- Creating those improvements
- Recognizing and rewarding employees involved in the improvements

Step 7: Make more change / don't let up.

To reach that long term success, have to keep looking for improvements. Each success provides an opportunity to build on what went right and identify what to be improved.

- Using increased credibility to change systems, structures, and policies that do not fit the vision
- Hiring, promoting, and developing employees who can implement the vision
- Each success provides an opportunity to build on what went right and identify what to be improved.

Step 8: Make change stick.

Make continuous efforts to ensure that the change is seen in every aspect of organization by obtaining support from staff and leaders. If losing the support of these people, it might end up where started.

- Articulating the connection between new behaviors and corporate success
- Developing the means to ensure leadership development and succession

2.4 Managing transition using (William Bridges, 1991)

People are often quite uncomfortable with change, for all sorts of understandable reasons. This can lead them to resist it and oppose it. The model focuses on transition, not change. Change is something that happens to people, even if they don't agree with it. Transition, on the other hand, is internal: it's what happens in people's minds as they go through change. Change can happen very quickly, while transition usually occurs more slowly.

Ending phase

People enter this initial stage of transition, this stage is often marked with resistance and emotional upheaval, because people are being forced to let go of something that they are comfortable with. At this stage, people may experience these emotions; Fear, Denial, Anger, Sadness, Disorientation, Frustration, Uncertainty, A sense of loss.

Guiding People through Stage One

Allow them time to accept the change and let go, and try to get everyone to talk about what they're feeling. Communicate openly about what's going to happen. Emphasize how people will be able to apply their skills, experience, and knowledge once you've implemented the change. Explain how you'll give them what they need (for instance, training and resources) to work effectively in the new environment.

Neutral zone

In this stage, people affected by the change are often confused, uncertain, and impatient. They may also experience a higher workload as they get used to new systems and new ways of working. Here, people might experience:

- Resentment towards the change initiative.
- Low morale and low productivity.
- Anxiety about their role, status or identity.
- Skepticism about the change initiative.

Despite these, this stage can also be one of great creativity, innovation, and renewal. This is a great time to encourage people to try new ways of working.

Guiding People through Stage Two

This can be an uncomfortable time, because it can seem unproductive, and it can seem that little progress is being made. Because people might feel a bit lost, provide them with a solid sense of direction. Set short-term goals during this stage, so that people can experience some quick wins; this will help to improve motivation as well as giving everyone a positive perception of the change effort.

Beginning phase

People have begun to embrace the change initiative. They're building the skills they need to work successfully in the new way, and they're starting to see early wins from their efforts. At this stage, people are likely to experience:

- High energy.
- Openness to learning.
- Renewed commitment to the group or their role.

Guiding People through Stage Three

As people begin to adopt the change, it's essential that you help them sustain it. Use techniques like Management by Objectives to link people's personal goals to the long-term objectives of the organization, and regularly highlight stories of success brought about by the change.



CHAPTER III

RESEACH METHODOLOGY

3.1 Case Study

In this research, a single case study is used to be discussed and examine factor that effect e-Procurement implementation through Change management. However, we reserve the company name to maintain confidentiality. Therefore, the company is named as “**Company A**” for the case study. The company which is referred to is a good example for researchers to learn change management and implementation in detail through the analysis, according to Kotter’s eight steps of change process (Kotter, 1996), and Bridges’ Managing Transition theory (Bridges, 2008).

To answer the research questions, in-depth interviews and non-participant observation techniques are adopted as the data collection approach. The data were collected using face-to-face interviews. Interview sessions were scheduled and conducted in October 2015. “Open-ended question” approach is selected to conduct qualitative interviewing because it allows the respondents to elaborate their answers more openly and encourage interviewees to provide information including their ideas, concerns, and feelings (mindtool.com).

3.2 Population and Sample Selection

Eleven interviewees were selected based on each business function that required working or related with e-Procurement system. According to previous literature review in Chapter II, the e-Procurement implementation is target to every part of the organization. The selected interviewee criteria are at least two years of work experience in the company because they were familiar with both old and new process except Procurement department which was just established this year.

Internal user: (9 Interviewees)

- Procurement(1)
- Vendor management under process management department (1)
- Market specialists / Budget owner (1)
- Finance (payment and reconciliation) (1)
- Head of Department (3)
- Legal and Compliance department (1)
- IT(1)

Externaluser: (2 Interviewees who are major vendors that Company A spent more than 50% of total spending)

- Strategic vendor (1)
- General vendor (1)

3.3 Data collection

3.3.1 Interview Questions Framework

According to the literature review in Chapter 2, the frameworks covered in this research consist of factors that affect e-procurement implementation that are Kotter's eight steps of change process and Bridges' managing transition concept. Therefore, a sequence of interview questions and session is set based on these three topics.

3.3.1.1 Factors that affect e-procurement implementation

- Can you please describe the e-Procurement implementation?
- What did you feel?
- What were the success (or) failure factors that you think influenced change implementation?
- What was the purpose of the change?
- What was the new structure and what were the new roles?
- Did the change affect the whole organization or only part of it?
- Who was to take responsibility for leading and implementing the change?

- How ready for change were employees within the organization?
- Did you understand the purpose of the change?
- Did they provide a clear vision of what the change will bring to your organization?
- Was the vision clearly communicated to everyone?
- Did the change optimize the relationships between employees and increase personal involvement?
- Did the change improve organization work more efficiently?
- Did the change improve service quality with better strategies to address and fulfill the tasks?
- Did you think that the change is useful?
- Did you agree or disagree with this change?

3.3.1.2 Kotter's eight steps of change process:

To get organization perspective towards planning and managing the change.

- **Create sense of urgency;** do you realized how urgent of this e-Procurement implementation? What did the company do? What was the rationale of taking that action?

- **Creating a Guiding Team;** did the company form team to support and implement the change? Who were they? Why were they selected? What were their roles?

-**Developing a Vision and Strategy;** what was the change objective/direction? How had it been developed?

-**Communicating the Vision;** how did you communicate the direction? Which methodology and means of communication did you use? What were the criteria for setting different groups of user for change communication and training?

- **Empowering People to Act;** what were the obstacles, and how did you deal with them? Did the company involve or empower anyone to act in change implementation?

- **Planning for and creating Short-Term wins;** what was the planning for and creating short-term wins?

- **Making More Change;** what were the next steps that the company had done to ensure that this e-Procurement system would run smoothly and change successfully along the way?

- **Making Change Stick;** what other actions the company took to make the change stick?

3.3.1.3 Bridges' Managing Transition Theory:

To get personal perspective towards change this is to focus more on employees' perspective towards the change.

- How did you feel about it as a change management team?
- What were employees' reactions during the time?
- When the company announced the change, what happened?

How did they react? How did they feel?

- After the ending stage when launched the system. Can you please share what was their reaction/ how they coped with the situation/ how the company handled with such situation?

- Overcoming the first two stages, what was the company's action to reinforce the new beginning? How was the situation? How they felt about the change? How long does it take from the first to the last phase?

3.4 Data analysis

After all interview sessions are completed, the information from the literature review is compared with the interview results by using Qualitative Data Analysis (QDA) methods to describe the phenomenon. This means it involves labeling and coding all of the data that similarities and differences can be recognized for gaining a rich and complex understanding of a given research problem or opinion from the particular population it involves. "Content analysis" needs to be developed that is bespoke for each research as a method to categorize social contexts, verbal or behavior data, for purposes of classification and summarization with the response as well as what may have been inferred or implied. Finally, the data are analyzed and discussed in terms of e-Procurement change management. The data will be collected through the following;

- Participant observation is to collect data on naturally occurring behaviors in their usual contexts.
- In-depth interviews are to collect data on individuals' personal histories, perspectives, and experiences, particularly when sensitive topics are being explored.



CHAPTER IV

FINDINGS AND ANALYSIS

This chapter will present the case study findings based on the research framework focused on factor that influence e-Procurement System Implementation through Change Management concepts, Kotter's Eight-Steps of Change Management, Bridge's Managing Transition Concept and data collected from employees at **Company A** and Vendors. The findings and analysis will explain factors that lead to the organizational change. Furthermore, you will be able to see if the company implemented the change effectively.

4.1 Factors that influencing e-Procurement System Implementation

Having interviews with nine employees and two vendors, all respondents raised up multiple factors which influence e-Procurement implementation. Factors which they identified represent two dimensions; process and organization factors.

4.1.1 Process

Top three factors which have been mentioned in contributing this change implementation during data gathering process are Procurement process, e-Procurement System and Policy. Refer to the interview conduct with key stakeholders.

4.1.1.1 Procurement process -

Company A did not only change e-Procurement system, but it is Business Process Re-engineer from decentralized to centralized procurement activities as well. There was no enough guidance to compare between before and after process to make the same understanding what have to do or do not make it among a lot of users, procurement and vendors.

Marketer states,

“No enough guidance between “As-is” and “To be” processes.”

“Have many duplicate processes between old and new.”

Procurement staff states,

“No enough guidance KPI to measure or educate users.”

Vendor states,

“Who is decision maker between user or procurement?”

4.1.1.2 System

Company A rolled out e-procurement system with no local IT support especially kick-off stage in which the system found many errors, users were in trouble or users faced difficulties to use system due to minimum computer specification required to run the system.

As mentioned in previous Chapter that factors that affected e-Procurement implementation are ease of use, system reliability and vendor support since e-Procurement system is related to many systems, both internal and external site integrate with SAP systems such as

- Invoice submission link to payment module of Accounting on SAP
- Vendor registration from vendors migrate to SAP
- Proposal submission of vendors integrate to SAP

All interviewees understand that this system will be operated by procurement but System ownership is not only Procurement department to handle or fix the problem even though the system has been developed from head quarter and deployed throughout global so that it should have strong IT or technician to support in Local as following significant query

Finance and Procurement states,

“Why IT department is not support when facing system issue?”

Vendorsstate,

“I couldn’t submit quotation, it always show syntax error”

Marketer states

“Why don’t IT department announce and upgrade windows version of all employees to match with system required”

“I don’t know which windows version on my computer”

4.1.1.3 Policy

Company A announced Procurement policy via training, executive meeting and e-mail to create the same understanding throughout organization which comprise of 1) Procurement policy and guideline on which project amount required bidding 2) Legal framework which specify type of service agreement to be applied with each type of project and 3) Management of procurement that assign person in charge of each procurement categories and create the same vision that system would help make more transparent and cost saving in the future.

However interviewees mentioned about the standard policy to judge wrongful or exceptional case if user do not follow the e-Procurement policy or guideline. Moreover the proper project planning, lead-time or KPI to measure the e-Procurement completing process are necessary to identify.

Procurement policy

All related parties including Procurement, Vendor management and Budget owners are mentioned the same about Procurement policy as summarized in below table.

Vendor management states,

“I announced policy via e-Mail, training session and consensus meeting”

Procurement and Budget owner state,

“I acknowledge the guideline that announce during training that how much to do or do not proceed bidding”

Table 3.1: Bidding amount policy

Bidding	No bidding
More than 300,000 THB	Less than 300,000 THB More than 300,000 THB <ul style="list-style-type: none"> - Single source vendors - Having contract rate which verified in the beginning year.

However, it lack of Policy to control if users deviate from standard company process such as

Procurement states,

“...Should have strong policy to penalize or manage user if they do verbal commitment to prefer vendor and by pass Procurement process.”

Legal framework;

Lawyer states

“...It is quite clear that her department separate two types of contract”

Vendor management (Process management department) states,

“...I have to ensure all transaction has been covered with proper contract. It is over 2,500 transactions per year to be signed”

Procurement and Budget owner states,

“...I know they set up two types of contract but a lot of transactions”

1) Contract type:

- General Terms and Conditions will be applied with no complicate procurement such as Furniture, Event organizer
- Service Agreement will be applied with complicate procurement activities such as Marketing research that required more complicate detail to measure service deliverable.

2) Signatory policy is designed authorized position with cap of amount

- Less than 500,00THB will be signed by Head of Department
- More than 500,00THB will be signed by President

Management of procurement is cover two major spending categories and allocates resources according to procurement transaction via e-Procurement system and breakdown into each type of work. Procurement and Vendor Management states,

1) Marketing activities which spend over 60% of total spending will be handled by 5 of procurement staffs

2) Others categories which spend over 40% will be covered by 3 Procurement staffs

Common interest is the new system and it is good to create more transparency, price competition, contract compliance but it is taking longer processes at least 3 days to complete transaction via e-Procurement system, so Process management department should find the optimum way to improve or shorten procurement lead-time to meet business objective in regards to the time to market, meanwhile Procurement department can justify cost as well. Budget owner states,

“...I know this is good process but I want Vendor Management team to figure out how to avoid impact from delay of launching schedule.”

4.1.2 Organization

In general, change management team got good support from management by understanding the rational and see the same vision of this system implementation, however operation level still have some resistance to support since they feel this is obstructed process while Procurement feel short of lead-time to process their work.

No key stakeholder involvement during development stage and lack of impact analysis after implementing e-Procurement system results in factors of this obstructed because system design based on Procurement and Audit theory are less caring about business point of view.

Even though Change management team was provided with the training, but they still required more customization course in details to fit with particular users.

4.1.2.1 Sponsorship:

This system is initiated by Global CFO and Compliance department but this change is required support from Head of Department to encourage organization for proper planning, and engaging to achieve the desired results and create the same mindset of their team which is significant to help push the change management properly. Common feedback from Head of Department states,

“...I agreed but if it impact to time to market schedule will not be Okay”

“...I have no issued you better talked to my subordinate”

“...Ensure you consider both quality and cost competitive.”

“... I want to understand the system process in detail so that I can guide my team.”

4.1.2.2 Buy-in:

This project is implemented and designed according to procurement principle after Company face risk of loss from Procurement, Fraud so that

Management level: Buy-in

Head of Department states,

“...I happy to have this e-procurement system and procurement team which would help pull procurement work out of my team so that they can focus on core work.”

“...I think our company over paid for a long time, no completion.”

Operation level:

Lack of buy-in to gather constraint of each involve and affected, directly or indirectly that why system still have various area to improve

“...Vendor may reduce quality of work due to procurement negotiation the price

4.1.2.3 Involvement:

As mentioned earlier in Buy-in this change is not involving the right people in the design and implementation of changes, to make sure the right changes are made that why lack of cooperation such as common feedback. No representative from key stakeholder to get involve during design as a result some of feature are not practical to work in local

Procurement, Vendor management and Finance state

“No local IT to participate during developing step so they do not know how e-Procurement system integrate with others”

IT states,

“..I never get train or participate during development how could I help”

Vendor management states,

“...Developer is not user; they should ask our opinion first”

“...I have to deal with head quarter everyday to adjust the process”

4.1.2.4 Impact:

Overall, Company was not assessed and addressed on how the changes will affect people but Company mainly focuses on how to deploy system and encourage people to use it. Company forgot the key objective of initiating this system to create check and balance and transparency area between User and Procurement department by using e-procurement system as a tool to collect info and drive this success. Key significant feedback

Legal and Vendor management state,

“...Not clear vision from management, not realize that how important of the system could deliver the better benefit”

Budget owner states,

“...Procurement just do double stamp to put all data to e-Procurement system.”

“...I do or you do it does not matter because it is the same price”

Procurement states

“Why users do not understand what are we doing not just click it?”

“3 days is too tight to complete the process” Can the plan ahead?”

4.1.2.5 Communication:

Telling everyone who's affected about the changes, but they do not believe until the result come out. This system will help create more prices competitive and cost saving but they do not believe until they see significance of saving announce to consensus meeting

Vendor management states,

“...I communicate about new process implementation and benefit of this system but it seems management has no attention until I report number of saving.”

Procurement states

“..Users keep defending me until I help them to save cost from many projects. I can gain trust and support from these people.”

4.1.2.6 Readiness:

Company still need to customize training appropriate with each level of users or vendors by getting them to adapt to the changes, by ensuring they have the right information and help on what to prepare when using e-Procurement system

Budget owners/Marketing states,

“...I do not know what to prepare before making request through e-Procurement system

“How to write scope of work, I only verbally brief”

Procurement states,

“They don't know how to write scope of work”

Vendor states,

“How to use system, I've just join with company”

“There has no scope of work in system” What do you want?”

4.2 The challenges of change implementation

Overall, most of employees in organization understand what will be benefited of this change but it takes time to prove its success. However, major factors of this resistance came from the additional procurement process that require completing via system while users have to launch project to meet time to market and another which against with Procurement that require more timeline and well planning from users to complete transaction. If Company A can solve this problem it will help to minimize resistance.

4.2.1. Staff's resistance:

Familiar with previous process and have not seen any benefit. They feeling this system is obstruct their working process.

Budget owners/Marketing states,

“It takes another 3 days for what”

“This process is make me do duplicate job”

Finance states,

“...I still haven't seen significant benefit from procurement they have some saving but it takes time we have to think about”

4.2.2. Resource readiness:

Feedback from procurement who work with users and vendors directly said

Procurement and Vendor management state,

“... I think around 40% of users is not ready and understand the concept of this system.”

“...Vendors have to use system but I think still have many duplicate work such as submit proposal to system and send email to discuss with users and me eventually.”

“...We are overload need more Manpower”

Vendor management and Finance states,

“...Procurement team is not ready yet while operate 100% of system so tough”

Budget owner states,

“This is tough timing, only two of procurement to handle transaction of 100 users”

4.2.3. Self-interest:

– Estimated 70% employees who work with Procurement have agreed to use system and have common interest. We over pay and see significance of saving after run through this e-Procurement system

Budget owners and Head of Department state,

“...Only 1 month we can save over 2 million bath”

- Around 30% disagree

Budget owner states,

“...This is head quarter direction why I have to use this system, no cost saving or comparison with others while take me another 3 days”

4.2.4. Misunderstanding:

- Understand why having this system and what is the purpose of implementing this, but they are not realizing on how to help them achieve their work.

4.3 Change Management implementation

The rationale behind of this system implementation is based on investigate and review the gap or risk of current process. Found out many area misconduct or mismanagement due to having limited knowledge regarding procurement recommend to centralized procurement and e-procurement system in place to minimize risk.

The following discussion focuses on how well the Company A planned and executed to drive and over its change effectively according to Kotter's eight steps of change process. However, the change process in this project was not implemented 100% based on Kotter's framework.

Step 1: Establish a sense of urgency.

Company A create a crisis situation and sense of urgency by announcing e-procurement system on May 2015 to management that it will be roll-out and implemented on June 22, 2015 for Marketing category due to the highest spending in company both region and global. They required all subsidiaries commitment to hire **“Procurement department”** as well.

With this short of timeframe, it was required related parties to prepare important vendor master data to be uploaded into e-procurement system and required key stakeholder including accounting, compliance, legal and users from each area to assigned person in charge to participate for giving an input and to be trained as trainer.

From all over 700 vendors master in the record, those were being migrated basic info from SAP to integrate with e-procurement system however this basic info is not enough for operating the e-procurement system since the system is required to

categorize vendor by their support activities. So that key user or so call “Project owner” to “eliminate the excess” by using active transaction during past two years as a guideline to segregate valid or invalid vendors.

To ensure that all subsidiaries will support this implementation, Company A sent strong message to give them heads up, that without using this system they could not create any order confirmation to vendors and all employees are required to comply with this process from June 22, 2015 onwards. However, Company A informed all employees regarding role and responsibilities that how this system could help them to reduce work load that they had done in the past and it will create more transparency and give more free time to marketer to focus on their right role rather than spending their effort on procurement activities that they are not specialize with.

Step 2: Create a guiding team.

Guiding team is required to carry out earlier-stage system demonstration and lead roll-out operation at local level and following role;

- Taking a training or system demonstration in advance
- Educating or supporting marketers and vendors
- System Voice of Customer “VoC” management

Company A selected key stakeholder to obtain the training at Singapore from May 10 to May 15, 2015 by using “Adopter type’s theory” to find the right people comprise of;

1. Innovators: (Vendor Management)

Vendor Management involved with this project since the beginning and has over 10 years experiencing in Vendor management and Contract commercial management.

2. Leaders: (Marketing specialist)

This person can help full fill info regarding how difficult it is for the employee on using this system, what kind of constraint when turn to reality. With their feedback and opinion, Company A can use it to narrow the failure on implementation and to be focal person of “Marketing specialist” who is contact vendor the most as

well as procurement function of Company A and “Project owner” who is involve in budget planning and project requirement on gathering requirement.

Step 3: Develop a vision and strategy.

Company A shared a vision of the future of the organization that how it could be by defining scope of work between Procurement and Project owner with KPI or MBO of new organization. Company A also offers a sense of this team could drive for cost saving to help company gain more profit and they could also help Marketer to have more time doing their real Role and Responsibilities on sale and marketing rather than spend their effort on Procurement that they have less knowledge and experience based on the misconduct such as no contract or proper terms and conditions in place. At this stage, management should help endorse on this implementation but only some of it pay attention and support on this.

Step 4: Communicate the vision

Company A shared vision and shared experience by using ADKAR model on making their “*Awareness*” on concept and concern of this change by sending email to all marketers and then Company A build them “*Desire*” to change or buy in this e-procurement system.

Thus, Company A arrange introduce e-procurement session to 100 marketers and over 70% of them were attended to give them “*Knowledge*” on how to use this system and “*Ability*” to handle if any concern happen or authority that they have left after implementing this system. From this session, Company A got very good opinion and feedback from users and used it to communicate with headquarter on improving it before fully launch the system.

Finally “**Reinforcement**” by introducing to management monthly meeting session that Company A would have their strong support on drive their people to use this system to minimize risk or loss that even occur in the past. Then Company A publishes the manual of how to “**Demo**” this system before fully launch and have semi-session for key users group.

Step 5: Enable action

Company A start training their administrator and marketer on how to use e-procurement system in details. Also Company A started to work with related department

Table 4.1: Department related to e-Procurement

Department	Task
Marketing	To assign temporary Procurement
	To start using system
Legal	To prepare contract template
Accounting	To integrate with e-invoice system
Vendor management	To hire procurement department

During this stage, Company A confront with some department that obstacle on this change so Company A have to use both pressure and support to make change happen by escalating to top management and sharing them this is Global direction. Meanwhile have to support them on what they feel reluctant on this change.

Step 6: Create short-term / quick wins.

To make team feel that this system could be implemented, Company A select the “Highest spending category” which is marketing to roll out after this session completed, Company A will roll out to other areas to make progress happen step by step and also fine tune vision to reduce resistance from all employees. At this stage, Company A use coaching and follow-up help and support group after Implementation. It included vendors as well to make sure smooth transition. From November onward, Company A plan to roll out with other area by doing the same process and gathering user feedback from this point to improve the system.

With highest spending of company is core function of organization, there is high pressure put on to new procurement team which were on board on September while still have not enough manpower to cover it. Procurement has to spend their time over 12 hours per day to handle all procurement transactions.

Step 7: Make more change / don't let up.

Company A still found resistance people that do not want to support on this change because they feel that this change could make them have less authority or make it a longer process or make their work more difficult. However, Company A keep convincing them to understand the situation and built trust that how it could be once Company A have full procurement team in place.

With some noise of resistance who worked with company over 10 years may lead to some employees to follow them. COMPANY A started encouraging to top management on how this project impact or delay due to this such reluctant and also communicate with Compliance department on announcement this as policy also build “in-house” capacity to train and lead colleagues by using Guiding team to support. Company A is now creating new leaders inside the organization as system power user to help being the focal point of contact when having any issue or feedback from users or vendors.

Step 8: Make change stick.

This change in norms and values comes last that Company A understand it. This is tough timing of Procurement to be breakthrough with feeling of people after ending stage because Procurement is new team and still not ready, yet Users who had been less authority to do so. However, Vendor management will keep monitoring until Procurement team are strongly enough to handle by it owns and will be monitoring the work load of Procurement as well since Company A plan 4 of procurement to handle the job instead of 100 marketers doing it their owns in the past and to monitor the performance and make sure they can achieve it.

At this stage, Company A acknowledge success of e-procurement implementation and organization change in centralize procurement activities are help company saving cost from the report shown in “Consensus meeting” resulting in president approve to hire more another 4 Procurement head count to handle the rest of category which will continue roll out by target to complete all by the end of this year. So that promotion and succession are keys to anchoring.

4.4 Managing transition

The analysis in this part is to understand the experience and feeling of employees who countered the change and had gone from the ending to the new beginning phase according to the theory and the way that the company coped with.

4.4.1 The Ending Phase

The ending phase started at the time when people had been communicated regarding the change announced new process from headquarter by Vendor Management in employee Meeting that procurement authorization of company will be centralized and all transaction must be used through e-Procurement system not using manual and loss of transparency and control like before. Employees felt a sense of loss and subsequent resistance. After the announcement, some employees denied or refused the fact. They feel this e-Procurement system will make their life suffer to process longer time on doing job. Some of them feel of loss to control vendor and budget in their own way. At that time, company handle situation by

ACTIONS:

- Communicate the company's direction to all employees and what would affect them. Clarify scope of work between user and procurement. What kind of activities that
- Mark the ending by Compliance's announcement in official policy from headquarters according to what vendor management stated earlier.
- Involve Department Heads to get buy-in with Vendor management support.
- Assign Vendor management to take care of affected employees to make sure they understand the system and get along with new system

4.4.2 Neutral zone

People going through a difficult time when the old is gone but the new isn't fully operational while procurement team are not ready yet so that some marketer still do not trust in procurement capabilities and try to deal with their prefer vendor to minimize any impact if occur from sourcing new vendor by new procurement team.

On this stage, cooperation between business leaders of each department with procurement to fine tune common interest will drive to success by making them feel everything could be happen if we help together, according to theory of Managing Transitions by William Bridges. Head of department states,

“System and process are implemented at the same timing with no headcount of procurement team yet so it is required temporary procurement who has been worked with vendor previously to handle system.

ACTIONS

- Communication: The Company put hard efforts throughout these stages because the change was sensitive and it is a big issue for them. Clear, Ongoing, empathy, and highly motivated communications were the key part here in the neutral zone. It was for the purpose of monitoring their feelings and concerns as well. Procurement were forces and challenges from users

- Restructuring of Work Processes, Procedures and Policies: According to e-Procurement system implementation and Procurement department establishment, the company reorganize or improve internal processes, procedures and policies to eliminate redundancy. It was realized that this action naturally created positive aspects for all and for their own and company's benefits.

4.4.3 The New Beginning Phase

The feelings of loss and confusion in the first two stages had been resolved. People moved forward and experienced the new process and see significant benefit. They were open-minded to the new reality and stretched themselves for better contribution. Budget owners states that *"this system help me save cost, I appreciated this team for help me reduce assignment which were not core function"*

Procurement just established so Company A have to communicate with them on KPI and MBO clearly to minimize confuse and set to award the guiding team on their effort on this implementation as well.

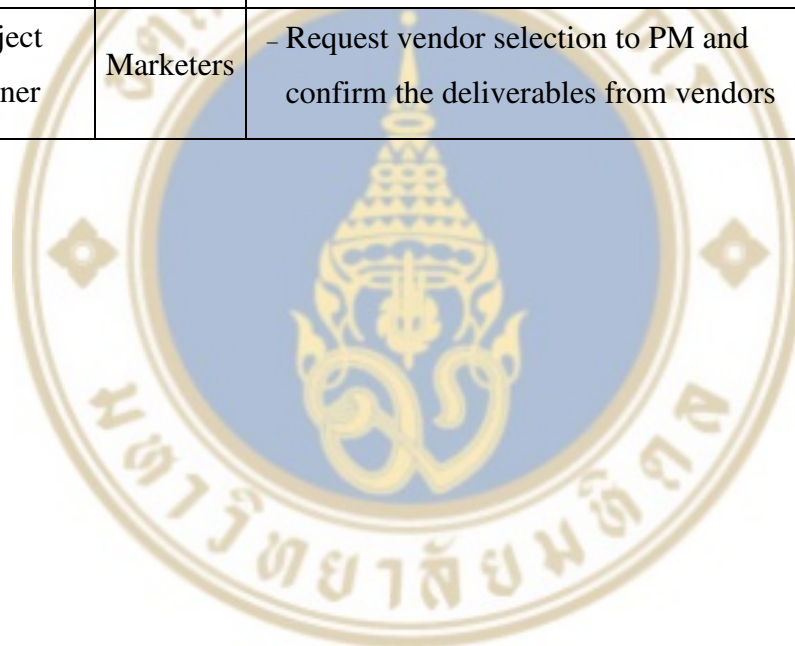
ACTIONS

- Communication: referring to Kotter's Step 8 'Making Change Stick' seniorleaderspassing their appreciation to everyone for this success.

- KPI and MBO: Procurement just established so Company A have to communicate with them clearly to minimize confuse

Table 4.2: Role and Responsibilities

Workforce		Role & Responsibility	KPI/MBO
Procurement	1~2 people	<ul style="list-style-type: none"> - Dedicated to procurement process - Supervise/control vendor selection and cost verification according to standard process, in addition to operating system - User/Vendor registration/authorization - Setting vendor evaluation standard - Vendor management/optimization - Contract category management 	<ul style="list-style-type: none"> - Cost savings - Timeliness - Quality Improvement
Project Owner	Marketers	<ul style="list-style-type: none"> - Request vendor selection to PM and confirm the deliverables from vendors 	N/A



CHAPTER V

CONCLUSION, RECOMMENDATIONS AND LIMITATIONS

5.1 Conclusion

The change had been raised up due to the necessity of action after investigate the risk and found out many fraud and misconduct spread out in global. The listed factors which influence change implementation under this research framework; Process – e-Procurement process, e-Procurement system and Policy are key factors when implementing any change. Referring to Kotter's eight steps of change process, Step 4: Communicate the vision is very important that required management to buy-in and make their subordinate to follow. Only guiding team could not make the new mindset of people with no strongly support from management. However, Guiding team have to put more effort on training people ad cooperate with related party to come up with clear policy compare with old and new process to minimize confusion of users.

Furthermore, the company manages reactions and resistance of employees who had gone through the three phases of transition management inefficient in terms of e-Procurement system and fail to organizational change to centralize procurement activities, according to Kotter's framework, Step 6: Create short-term / quick wins company selected to start with highest spending category which have less chance left for new Procurement team to handle the stress especially when turn to over capacity due to insufficient procurement manpower. It have high chance to loss and make new procurement to feel loss of control whether how to handle high transaction while manage their core function in terms of cost saving properly rather than just click and go meanwhile user has resistance of support e-Procurement and Procurement team due to feeling of delay.

5.2 Recommendations

From the interview results, there are some points which are considered as areas for improvement for the better success for the company. The key significant area to highlight for improvement according to the fact finding from factors that affect e-Procurement implementation and Challenge of change implementation which analyze based on suggestion from employees and our owns analyze and observation.

Process

- **Procurement process:** Change management team should prepare before and after process to hi-light changed step what is allow to do or do not make it among a lot of users, procurement and vendors.
- **E-Procurement System:** Management should assign IT department to support to fix system error more efficiency to gain ease of use, system reliability and vendor support in long terms rather than let Change Management team to be contact point of system error.
- **Policy:** Process management team should raise this issue to discuss with Compliance department to draw standard policy when employees deviate from standard procurement policy such as wrongful or exceptional judgment

Organization

- **Short of procurement lead-time:** Change Management and Process management team should escalate this issue t management of each business unit on how users can plan project in upfront so that procurement can have more time to compare the price to minimize short of procurement lead-time. Also provide the refresh training including process alignment with each related business unit to understand unique concerns and explained properly
- **Procurement headcount:** Company should analyze work hour consumption each step of process to see what can be improved or really need additional headcount. Meanwhile some transaction that low risk should be transfer back to business unit same as kick-off stage until fill up resource then transfer back to minimize stress and pressure of operation level

In conclusion, the recommendation is what the company could change mindset of employee and transition as quick as possible while preparing contingency plan. All respondents mentioned that to step up to the New beginning phase, it takes

more than half year. In general for reorganization and system implementation, not only to focus on IT system, but also very important that the guiding team plays attention to new function such as Procurement who operate the transaction and bear pressure of users. Guiding team could help to optimize process to be more proper in locally.

5.3 Limitations

One organization is selected as a case study, the discussions and analysis are based on the context of the Company A specifically which represents single dimension of view. Therefore, the findings on this research cannot be generalized. When any change occur in your organization, adaptation of strategic plan in handling with change is required.

In conclusion, Kotter's eight steps of Change Process are an excellent starting point for those who are interested in making large or small-scale organizational change since the model places most emphasis on building coalition and setting the vision. In leading change you need to be a flexible leader and be conscious of the appropriate combinations of leadership roles because leadership plays a critical role in creating and maintaining organization's culture.

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