

E-procurement in the Greek food and drink industry: Drivers and impediments

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Abstract

Most empirical research on e-procurement has focused on large economies and technology-related industries, paying little attention to smaller economies and traditional industries. This paper addresses this gap by presenting a study on the state and development of e-procurement in the Greek food and drink industry, based on four case studies with some of the largest organisations in the industry. This study indicates that the uptake of e-procurement has been slow and reveals some important impediments, such as the uncertainty of the technology and its benefits, the lack of infrastructure and skills and the traditional nature of the industry. These results led to a series of findings, propositions for further investigation. The drivers and impediments to e-procurement have been classified into four different levels: global, country, industry and firm. Each of these levels requires a different approach to dealing with it, having implications for practitioners and policymakers.

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1. Introduction

Information and Communication Technology (ICT) is an established driver of change and a source of competitive advantage in many business environments. This paper deals with one particular but very important element of ICT, namely, e-procurement.

The extant literature on e-procurement has focused mainly on large economies and technology oriented industries. The main challenges facing researchers in this area are the newness of the subject, the absence of clear definitional constructs and the lack of conceptual frameworks applicable in different industries and contexts. Most studies on e-procurement have focused on the USA and major European and Asian economies. However, these

countries have major differences in economic, technological and social terms, compared to other smaller economies. Research has revealed that issues such as size, costs, competitive pressures, slack resources and IT expertise are some of the main factors affecting the adoption of various technologies including e-procurement (Permkumar and Roberts, 1999; Zheng et al., 2004; Lee, 2004; Joo and Kim, 2004). However, these factors are likely to be substantially different from one country or industry to another.

This paper focuses on the Greek food and drink manufacturing industry; one of the largest and most dynamic industrial sectors in the country (Euromonitor, 2004). The main objective is to identify the drivers and impediments of implementing e-procurement in this context.

An exploratory study was conducted based on four case studies with some of the largest food and drink manufacturers in Greece (all with international operations). The names of the companies have been omitted for confidentiality reasons.

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The paper is organised as follows. First, an overview of the Greek food and drinks industry is presented, followed by a review of the theoretical background on e-procurement. The research methodology is presented, and the four case studies are described in detail. The outcomes of the case studies are then used to develop a series of propositions concerning the development of e-procurement in the Greek food and drink industry. The paper ends with conclusions and directions for future research.

2. Literature review

2.1. The Greek food and drink industry

Greece has a population of 10.6 million and a GDP of \$ 213.6 billion (purchasing power parity) (CIA, 2004). It joined the European Community in 1981 (which became the EU in 1992) and it became the 12th member of the euro zone in 2001 (CIA, 2004). Internet penetration in Greece is 33.9%, which is comparatively low when compared to the average of the EU (49.3%), but more than double the world average of 15.2% (Internet World Stats, 2005).

The manufacturing sector in Greece is led by the food industry, which is expanding fast to support new markets abroad (EUI, 2004). There are about 850 industrial groups involved in food and drink operations with reported sales of \$ 7.2 billion, and a net income of \$430 million (Papathanassiou et al., 2003). The industry leads the country in terms of exports, with over 20% share of total exports. Agriculture employs a quarter of the populations and accounts for nearly one-third of GDP, producing fruits, vegetables, olives, tobacco, sugar, rice and wheat (EUI, 2004; CIA, 2004). Packaged food is considered a key consumer industry for the overall national economy (Euromonitor, 2004). Within packaged foods, dairy products represent the largest share of sales value, indicating the importance of this sub-sector in the Greek diet (Euromonitor, 2004).

The Greek food and drink industry has the strong presence of national companies, despite the presence of major international manufacturers and distributors (Euromonitor, 2004). At the other end of the food chain, in the retail sector, there has been a major transformation in the last decade, with a decline of the traditional grocery store and the growth of the hypermarket, cash and carry and discount sectors (Tzimas and Bennison, 2003; Bourlakis, 2001).

Research into e-procurement in Greece is scarce, even more so when looking specifically at the food and drinks industry. Papathanassiou et al. (2003) and Kardaras and Papathanassiou (2000) are amongst the few exceptions, and these studies are either too general or focus exclusively on the retail end of the industry. Both of these studies use questionnaires with marketing managers as the main research method. These studies reveal that despite some potential benefits, the industry in general has been slow to adopt e-procurement. Both the slow uptake of e-procurement

and the lack of research in the area reveal a gap that has been addressed by this research.

2.2. E-procurement challenge: the business case for change

Traditional procurement systems have been criticised for their inefficient processes, their lack of prompt information and their excessive complexity, all of these factors leading to waste in time and money (Boer et al., 2002; Mukherjee, 2001). E-procurement is promising to solve these problems by streamlining processes, providing timely information and improving coordination and collaboration, leading to cost savings and improved procurement cycle times (Pike, 2002; Rayport and Jaworski, 2001; Morris et al., 2000). However, these benefits do not come without their obstacles, risks and limitations (Segev et al., 1998; Alaniz and Roberts, 1999; Pastore, 2002).

2.2.1. Defining e-procurement

E-procurement has been defined in a number of ways. Table 1 presents various definitions helping to contrast and compare their commonalities and differences.

Although there are differences in scope and detail among these definitions, it is clear that they refer to the use of electronic technologies to support the procurement function. Based on these commonalities it was possible to develop the following definition used for this research:

“E-Procurement is the integration, management, automation, optimisation and enablement of an organisation’s procurement process, using electronic tools and technologies, and web-based applications.”

2.2.2. The benefits of e-procurement

The benefits of e-procurement can be classified into seven categories, which are briefly described below:

- *Decreasing prices:* In traditional procurement systems, purchasing from non-contracted vendors, known as maverick buying, tends to decrease the bargaining power of companies (Boer et al., 2002; Morris et al., 2000). E-procurement can leverage bargaining power by establishing contracts with preferred suppliers, possibly leading to discounted prices (Venkatesan, 1992). Research indicates that potential reductions can be of up to 20% of the total price (Morris et al., 2000; Smart and Harrison, 2003).
- *Reduction of administrative expenses:* Organisations deal with large numbers of requisitions every year, many of which refer to low value items. Traditionally these processes have been paper-based and have required considerable manual labour and other costs such as intra-company mail, phone charges, postage, photocopying and storage. E-procurement automates the entire requisition-to-payment process, increasing efficiency and eliminating unnecessary expenses. Furthermore, the automated system can also reduce those costs associated with data errors and inaccuracies inherent

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