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## **Factors Affecting Procurement Performance of Organization: The Case of International Organization for Migration, Ethiopia Office**

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DEPARTMENT OF LOGISTICS AND SUPPLY CHAIN MANAGEMENT

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International Organization for Migration, UN migration agency

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## Declaration

I, the undersigned, declare that this thesis entitled as “Factors affecting procurement performance of Organization: The Case of international organization for migration, UN migration agency” is my work and has not been presented for the award of any degree or diploma in this or any other university. All sources of materials used in the thesis have been accordingly acknowledged.

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## Statement of Certification

This is to certify that this thesis entitled as “Factors affecting procurement performance of Organization: The case of international organization for migration, UN migration agency” submitted in partial fulfillment of the requirements for the degree of Master of Arts in Logistics and Supply Chain Management to the School of Commerce of Addis Ababa University, done by Tsegaye Turga is an authentic work carried by him under our guidance.

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## **Dedication**

My heartfelt dedication goes to my mother who loves education and success utmost. Even though, you are not seeing me where I am. So far, I'm keep going where you want to see me!!!

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## Lists of Acronyms and Abbreviations

A.A	Addis Ababa
ARP	Automatic Replenishment Programs
B2B	Business-to-Business
CPFR	Collaborative Planning, Forecasting and Replenishment
ECA	Economic Commission of Africa
EDI	Electronic Data Interchange
ERP	Enterprise Resource Planning
ICT	Information Communication Technology
IOM	International Organization for Migration
SLO	Special Liaison Office
SME	Small and Medium-sized Enterprises
UN	United Nations
VMI	Vendor Managed Inventory

## Abstract

*The main purpose of the study was to identify factors affecting procurement performance of the international organization for migration. The study employed a descriptive and explanatory research design. Primary data was collected by using questionnaires targeting employees in the procurement and logistics department. A census survey was done and the study achieved 85% response rate since thirty nine (39) out of the 46 questionnaires administered were filled and returned. The study population comprised of the whole staffs of IOM under procurement and logistics unit. The study findings revealed that factors coming from requesting/program unit, organizational structure and procurement unit implementing factors are the major and staff competency & level of professionalism were the least internal factors affecting the performance of the IOM procurement respectively. On the other hand, market environment of the country is the major external factors while, socio economic & political environment of the country were the least external factors affecting the performance of IOM procurement. Regarding to the determinant factors of procurement performance, supply chain integration & top management support were the major determining factors with significant level  $P < 0.005$  and procurement planning & information communication technology were the least determining factors of procurement performance with insignificant level  $P > 0.005$  respectively. However, all those independent variables have positive relationship with procurement performance. The study recommends that, in order to avoid the major challenging factors coming from users/requesting units the procurement unit should invest on staff awareness through training should be carried out to achieve superior knowledge in entire procurement process in the organization and performance. Particularly the organization should try to find some sorts of linkage with supply chain partners of the organization with the support of modern information communication technology. Future research is recommended to investigate other factors that affect procurement performance by including other performance measuring tools also.*

**Keywords:** *Procurement practices, procurement planning, staff competence, procurement performance, IOM, humanitarian relief operation*

# CHAPTER ONE

## 1. INTRODUCTION

*This chapter is about the general introduction parts of the study it presents research problems, the objectives of the study, its significances, scope and limitations, and the organization of the paper.*

### 1.1 Background of the study

Relief organizations deal with emergency humanitarian issues such as supply of drugs, food aid, water and sanitation, providing shelter to the affected communities among others. Humanitarian organizations put a lot of effort into helping nations and people to recover from disasters by providing relief commodities. Responding adequately to a disaster is difficult due to its complexity and uncertainty associated with it. Flexible but efficient supply chains are creating high demand on procurement operations (Berger & Garyfalakis, 2013).

One of the biggest hurdles to overcome in humanitarian relief supply chain is the huge uncertainty in demand and supply as well as the assessment of the needs accompanied by time pressure to supply on time. Hence humanitarian logistics is complex making the procurement field the most expensive part during disaster relief especially with about 80% of total expenditures (Van Wassenhove, 2006).

Procurement is a core activity that has implications on the operations of an organization together with being an activity which cuts across all the departments in the organization. It is referred to as acquisition of goods, services, capabilities and knowledge required by businesses, from the right source, the right quality, in the right quantity, at the right price and at the right time to maintain and manage a companies' primary and support activities (Giunipero, L., Handfield, R.B. and Eltantawy, R., 2006; Hines, 2006; Porter 1998; Triantafillou, 2007; Van, 2000).

Procurement contributes tremendously to the organizational efficiency and effectiveness. Any experts of the procurement department are expected to purchase goods/services or works at the right time, price, place quantity and quality for the use of all the departments in the organization so that the organization would derive great benefits from this and would therefore be able to serve

their customers in a better way (Snider and Rendon,2001). When a procurement department is inefficient in its procurement activities it affects all the other departments and therefore has a great impact on the organization's supply chain as a whole.

The role of the procurement function in organizations has received and continues to receive increasing attention as th/e years go. A strategic approach to procurement is important because it can assist an organization in meeting its policy objectives and to obtain value for money in its expenditure for goods and services (Gian, 2012).

Mason and Leek (2008), established that procurement plays an important role in helping to shape the competitive position of any organization in the market place. This component can directly support the corporate and business strategies of the organization or its business units. For example, increasing product or service quality, this helps in improving the quality of suppliers; increasing market share by securing the supply chain of critical components at the level required; improving cash flow thus minimizing inventory levels or extending payment terms.

According to cox (2000), procurement enhances efficiency and competitiveness among other benefits but to realize these benefits, it is important to look at the strategic factors that affect the performance of the procurement function.

Procurement performance is a measure of identifying the extent to which the procurement function is able to reach the objectives and goals with minimum costs. There are two main aspects of the procurement performance; effectiveness and efficiency. Procurement effectiveness is the extent to which the previously stated goals and objectives are being met. It refers to the relationship between actual and planned performance of any human activity. Additionally, efficiency is the relationship between planned and actual resources required to realize the established goals and objectives and their related activities, referring to the planned and actual costs (Van Weele, 2002).

The procurement function is playing a crucial role in solving the organizations problems and helps to reach more people and save life as quickly as possible in private business sector and humanitarian aid sectors respectively. Even though, it's subjected to variety of factors which can affect the performances of it and its necessary to know and measure the performances of every organizations procurement activity/objective. This research topic is highly important because

unlike a business procurement practices that are typically established to generate profit, efficient humanitarian procurement has a potential to save life and reach more people. Hence by taking this in to considerations, this study mainly assessed the influencing factors of procurement performance in humanitarian operation in case of IOM Ethiopia.

IOM is established in 1951 and is the leading inter-governmental organization in the field of migration and works closely with governmental, intergovernmental and non-governmental partners. With 165-member states, a further 8 states holding observer status and offices in over 100 countries, IOM is dedicated to promoting humane and orderly migration for the benefit of all.

It does so by providing services and advice to governments and migrants. IOM works to help ensure the orderly and humane management of migration, to promote international cooperation on migration issues, to assist in the search for practical solutions to migration problems and to provide humanitarian assistance to migrants in need, including refugees and internally displaced people.

IOM works in the four broad areas of migration management: Migration and development, facilitating migration, regulating migration and Forced migration

## **1.2 Statement of the problem**

The present day's business environment is getting more challenging and therefore companies have to increase their business operations to stay competitive. As a result, managers need to embrace all those practices that will improve their performance one of the most important factors for improving business operations is implementation of effective and efficient procurement and supply chain management practices (Chong and Ooi, 2008).

Internal and external forces are influencing the ability to recognize the procurement goal. Relations among different internal elements like professionalism, staffing levels, budget resources, procurement plans and organizational structure whether centralized or decentralized, procurement regulations, rules, guidelines, and internal control policies. External factors also like market environment, political, socio economical, and legal environment have impact on the performance of the procurement function and needs consideration (Kim, M.K, Lopetcharat, & M. A., Drake 2013).

Banda (2009) stated that many organizations lack competent staffs with the proper knowledge for good procurement process management. He further noted that authorities should give greater emphasis for developing competence to adopt best practice more widely. According to Berger & Humphrey (2007), a procurement function that is carried out professionally is the core of delivery of any service on value for money principle. Furthermore, Sultana (2012) stated that in order to sustain economic growth and effective performance, it is important to optimize the contribution of employees to the aims and goals of the organizations.

Burt, Dobler, & Starling (2004) stated that every organization is expected to develop procedures to enable its personnel implement policies and plans designed to meet objectives. Based on Eriksson and Westerberg, (2011), procurement perceptions are affected by the existing organizational structure, quality of internal communication system, past experience and resources available.

The influence of certain factors on procurement performance has been in focus for years, together with their impact on the overall organizational efficiency. Poor procurement performance is usually due to incompetent staff, traditional procurement procedures and poor coordination of procurement activities, lack procurement plan and non-participations of procurement staffs in initial stage of operation plan and lack of proper regulations.

Despite the fact that there are various studies that focus on procurement performance in other countries and in our country also. Like: Mwanjumwa and Simba, 2015 tried to examine factors influencing procurement performance in ICRC Kenya by using four independent variables (Organization structure, donor funding, procurement policies and information technology), their conclusion shows that only application of information technology significantly affects procurement performance at ICRC-Kenya.

Boniface, Mike and Ondabu (2014), Kinuthia. G.S. Namusonge, Chegge and Ogol. (2015), Japheth Ocharo (2013), tried to examine factories influencing procurement performance indifferent public sectors by using different variables. They confirmed that there are so many internal and external factors which can affect the performance of procurement in every organization negatively and positively also.

Senait, Asefa & Seid (2016) also studied the same area of Factors Affecting Procurement Performance in the Case of Awassa Textile Share Company by using four independent variables (procurement planning, staff competency, procurement procedure and resource allocation). Their study revealed that staff competence and resource allocation were the most related factors affecting procurement performance in Awassa Textile Share Company.

The problems of the above-mentioned researchers are most of them are focused only in four and specific numbers of variables and they didn't give opportunity to the respondents in order to rank and identify which one is the major problem and which one is least and most of the researchers assessed only internal factors of the organization with the limited numbers of variables, while this study tried to assess both internal and external challenging factor of procurement performance. Besides on those studies and others, it seems there is no known study that has been conducted on factors affecting procurement performance in humanitarian operations of Ethiopia specifically in IOM.

In addition to the above-mentioned problem, based on the preliminary interview assessment with the IOM selected procurement staffs the following problems were identified as the major one which have influence on the performance of procurement. Those are: bringing the requisition without procurement plan /lack of procurement plan from the program unit/, shortness of the time given by the donors to utilize the budget, inadequacy of the allocation of resources or budgets to the demanded materials, delayance of the approval of documents in the respective bodies/signatories, urgency of the requests and the time given by the requester to procure the demanded product, lack of long term procurement agreement for repetitively requested items, incapability of the local vendors to supply the demanded materials at the required time with the required quality and relationship with the suppliers. Therefore, most of the problems mentioned in above needs the involvement of researchers in order to verify them and it needs the involvement of top management support in order to give a solution. If the above problems are discovered in such type of mini interview, if there is a possibility to explore depth study on the critical influencing factors can affect procurement performance there is a big chance to get some other problems in the case organization. This encouraged me to conduct the study in international organization for migration (IOM), UN Migration agency with a view to establish factors affecting procurement performance by using different independent variables.

### **1.3 Research Question**

Based on the above research problem, for this study the following basic research questions are designed and assessed accordingly

- What are the major factors that can influence performance of procurement at IOM?
- How procurement activities are being practiced at the International Organization for migration?
- What is the role of procurement practice on the humanitarian relief operation activities or performance of IOM procurement?
- What are the major determinant factors of procurement performance in IOM?

### **1.4 Objective of the study**

#### **1.4.1 General objective**

The general objective of this study was to identify factors affecting procurement performance of the international organization for migration (IOM), UN Migration Agency.

#### **1.4.2 Specific objectives**

Specifically, the study aimed to achieve the under mentioned objectives

- To assess the current procurement practices of the IOM
- To examine the role of procurement practice on the performance of IOM procurement.
- To explain the major determinants of procurement performance in humanitarian relief operations

### **1.5 Significance of the study**

The study is expected to provide pertinent information to the concerned stakeholders on the current procurement practices as well as the influencing factors affecting procurement performance in humanitarian operations specifically in IOM. For the researcher, it helps to identify and give broad understanding on the procurement performance and its influencing

factors. It creates awareness about the way of conducting research to arrive at something useful for the people around.

The study has a contribution to increase the general knowledge of the subject and will act as a reference material for future researchers and scholars interested in related studies.

The study also enables the policy makers in humanitarian operations of Ethiopia to gain a better understanding of factors affecting procurement performance in humanitarian operations. This assists them in coming up with appropriate policies that can enable the humanitarian companies to come up with appropriate strategies on improving on procurement performance.

### **1.6 Scope of the study**

Procurement encompasses vast areas of managerial practices, it is difficult and unmanageable to conduct the study in all areas that summarizes procurement in terms of time, finance, and research manageability. Therefore, the scope of this study bordered to factors affecting procurement performance on humanitarian operations in terms of topic.

The subject scope of this study also bordered to the company's point of reference towards practice of procurement management, internal challenging factors like procurement policies and procedures, Procurement implementing factors, requesting/program unit factors and level of professionalism and staff competency. While, external challenging factors, specifically: market environment, political environment, socio economic environment and information communication/ICT/ environment factors on performance of procurement in terms of cost, time and quality measuring tools only.

The area of the study/the geographic scope of this study/ is also delimited to the case company, i.e. IOM Ethiopia through assessment.

### **1.7 Limitations of the Study**

It's well known that humanitarian organizations are very sensitive in matters of data confidentiality. Hence, gathering data besides the officially published material was difficult in the humanitarian aid sector. At the time of collecting data, not securing cooperation of very important research participants was happened and took much time to get the distributed questionnaires from

respondents. As there was common be afraid of the confidentiality of the data or they are tautened by tough jobs and so forth. There was limited literature on procurement in humanitarian organizations. The issue of time and finance limitation was also other barrier to do this study.

## 1.8 Organization of the paper

This research paper is organized in five chapters. The first chapter relates to introduction such as background of the study, statement of the problems, objective of the study, scope of the study, significant of the study, and organization of the paper. While, the second chapter contains related literature review. The third chapter contains research methodology. Data analysis, interpretation and discussion of the study included in the fourth chapter. Finally, the fifth chapter contains summary, conclusion and recommendation of the study.

## 1.9 Definition of terms and concepts

**Organization structure:** defines how job tasks are formally divided, grouped, and coordinated in the organization.

**Procurement planning:** is plan which allows planners to determine if expectations are realistic, particularly the expectations of the requesting entities, which usually expect their requirements met on short notice and over a shorter period than the application of the corresponding procurement method allows.

**Procurement unit implementing factors:** are factors which are observed at the time of procurement practice at due to procurement unit.

**Requesting unit:** are users or the requestors of the specific requisition in the organization

**Top management support:** is about a support of senior managements in order to accomplish the objectives of procurement

# CHAPTER TWO

## 2. RELATED LITERATURE REVIEW

*This chapter presents a review of the related literature on the subject under study presented by various researchers, scholars, analysts and authors. Briefly introduced and provided a summary of literature specific to concepts and ideas of procurement, its role and benefits of being practiced in the organization. Mainly this chapter has three broad parts, the first part is about the theoretical literature review, the second part is about empirical literature review and finally conceptual frame work of the study is presented.*

### **2.1 Theoretical Literature Review**

#### **2.1.1 The concepts and definition of Procurement**

Procurement: is referred to as acquisition of goods, services, capabilities and knowledge required by businesses, from the right source, the right quality, in the right quantity, at the right price and at the right time to maintain and manage a company's primary and support activities (Giunipero, *et al.* 2006; Hines, 2006; Porter, 1998; Triantafillou, 2007, Van, 2000). According to Mangan, *et al* 2008, procurement is a process of identifying and obtaining goods and services. It includes sourcing, purchasing and covers all activities from identifying potential suppliers to delivery to the beneficiary.

According to Van (2000), procurement means obtaining goods, works, consultancy or other services through purchasing, hiring or obtaining by any other contractual means. Procurement encompass the whole process of acquiring property and/ or services. It begins when an agency has identified a need and decided on its procurement requirement. Procurement continues through the process of risk assessment, seeking and evaluating alternative solutions, contract award, delivery of and payment for property and/ or services and where relevant, the ongoing management of a contract and consideration of options related to the contract. Procurement also extends to the ultimate disposal of property at the end of its useful life.

Similarly, procurement is a process of the acquisition of property, plant and/ or equipment's, goods, works or services through purchase, hire, lease, rental or exchange from any source. Additionally, it is the process of different types of acquisition (i.e. leasing, rental, contracting) as well as associated works of identifying and selecting supplier, negotiating, agreeing terms, expediting, monitoring supplier's performance, analyzing order, materials administration, and developing purchasing systems (Robert, *et al*, 2010).

### **2.1.2 Role of the procurement function**

According to "the classic definition of the overall procurement function is to obtain materials of the quality in the right quantity from the right source delivered to the right place at the right time and right price".

He and Gordon Downie (2014), further argued that, an expanded statement of the procurement function for manufacturing or service organization would be along the following lines: to make the maximum contribution to the competitiveness, profitability and survival of the organization, to ensure continuity of the supplies to meet the requirements of production and all other functions, to buy industrial equipment's, materials, supplies, and services at the lowest cost commensurate with acceptable standards of quality and delivery, to ensure that investment in inventory is at lowest level compatible with safety, to keep loss in inventory arising from duplication, waste deterioration, obsolesce or pilferage to a minimum and dispose of surplus items on the most favorable terms,

In addition to this to build up supplier goodwill by such means as fair dealing, the provision of cooperation and assistance and prompt payment, to integrate the purchasing activity with all related functions of the undertaking by working in close collaboration with those function especially concerning the interchange of information and expertise, provide professional, qualified procurement expertise, strategic procurement advice for end users, ensure that business needs are met through its procurement of goods, services and works, contribute to the aims and objectives of the organization, as detailed in its corporate plan, pro-actively manage and develop the supplier base, including small and medium-sized enterprises (SMEs) and third sector and voluntary sector organizations, identifying and managing any supply risks or value add opportunities, ensure that value for money is achieved, including through implementation of

national contracts, advise, guide and support the development of and adherence to procurement policy, best practice and law, develop, promote and implement appropriate procurement strategies and procedures, establish and address training needs, utilizing national/sector specific training opportunities or contracts where appropriate, promote and engage in collaboration and information sharing with relevant partner organizations, comply with and where appropriate, promote equalities legislation and policy and promote and engage in the implementation of relevant technology solutions, including e-procurement to minimize purchase to pay costs. Lyson (1992) and Gordon Downie (2014).

### **2.1.3 Procurement functions**

Purchasing is the eyes and ears of the organization in the supplier market place, continuously seeking better buys and new materials from suppliers. Consequently, purchasing is in a good position to select suppliers for the supply chain and to conduct certification programs. As firms increasingly pursue supply chain management strategies in response to competitive pressures, internally and externally, has increased the importance of purchasing function. The functions of procurement can be classified as five activities as presented below (Mentzer, 2001).

#### **a. Purchasing**

These activities are the routine activities related to issuing purchase orders for needed products. There are two types of products that a company buys; 1) direct or strategic materials that are needed to produce the products that the company sells to its customers; and 2) indirect or MRO (maintenance, repair, and operations) products that a company consumes as part of daily operations. The mechanics of purchasing both types of products are largely the same. Purchasing decisions are made, purchase orders are issued, vendors are contacted, and orders are placed. There is a lot of data communicated in this process between the buyer and the supplier items and quantities ordered, prices, delivery dates, delivery addresses, billing addresses, and payment terms. One of the greatest challenges of the purchasing activity is to see it that data communication happens in a timely manner and without error. Much of this activity is very predictable and follows well defined routines (Michael Hugos, 2011).

#### b. Consumption Management

Effective procurement begins with an understanding of how much of what categories of products are being bought across the entire company as well as by each operating unit. There must be an understanding of how much of what kinds of products are bought from whom and at what prices.

Expected levels of consumption for different products at the various locations of a company should be set and then compared against actual consumption on a regular basis. When consumption is significantly above or below expectations, this should be brought to the attention of the appropriate parties so possible causes can be investigated and appropriate actions taken. Consumption above expectations is either a problem to be corrected or it reflects inaccurate expectations that need to be reset. Consumption below expectations may point to an opportunity that should be exploited or it also may simply reflect inaccurate expectations to begin with (Michael Hugos, 2011).

#### c. Vendor Selection

There must be an ongoing process to define the procurement capabilities needed to support the company's business plan and its operating model. This definition will provide insight into the relative importance of vendor capabilities. The value of these capabilities has to be considered in addition to simply the price of a vendor's product. The value of product quality, service levels, just in time delivery, and technical support can only be estimated in light of what is called for by the business plan and the company's operating model (Michael Hugos, 2011).

Once there is an understanding of the current purchasing situation and an appreciation of what a company needs to support its business plan and operating model, a search can be made for suppliers who have both the products and the service capabilities needed. As a general rule, a company seeks to narrow down the number of suppliers it does business with. This way it can leverage its purchasing power with a few suppliers and get better prices in return for purchasing higher volumes of product (Michael Hugos, 2011).

#### d. Contract Negotiation

As particular business needs arise, contracts must be negotiated with individual vendors on the preferred vendor list. This is where the specific items, prices, and service levels are worked out.

The simplest negotiations are for contracts to purchase indirect products where suppliers are selected on the basis of lowest price. The most complex negotiations are for contracts to purchase direct materials that must meet exacting quality requirements and where high service levels and technical support are needed (Michael Hugos, 2011).

Increasingly, though, even negotiations for the purchase of indirect items such as office supplies and janitorial products are becoming more complicated because they fall within a company's overall business plan to gain greater efficiencies in purchasing and inventory management (Michael Hugos, 2011).

Suppliers of both direct and indirect products need a common set of capabilities. Gaining greater purchasing efficiencies requires that suppliers of these products have the capabilities to set up electronic connections for purposes of receiving orders, sending delivery notifications, sending invoices, and receiving payments. Better inventory management requires that inventory levels be reduced, which often means suppliers need to make more frequent and smaller deliveries and orders must be filled accurately and completely. All these requirements need to be negotiated in addition to the basic issues of products and prices. The negotiations must make tradeoffs between the unit price of a product and all the other value-added services that are required. These other services can either be paid for by a higher margin in the unit price, or by separate payments, or by some combination of the two. Performance targets must be specified and penalties and other fees defined when performance targets are not met (Michael Hugos, 2011).

#### e. Contract Management

Once contracts are in place, vendor performance against these contracts must be measured and managed. Because companies are narrowing down their base of suppliers, the performance of each supplier that is chosen becomes more important. A particular supplier may be the only source of a whole category of products that a company needs and if it is not meeting its contractual obligations, the activities that depend on those products will suffer (Michael Hugos, 2011).

A company needs the ability to track the performance of its suppliers and hold them accountable to meet the service levels they agreed to in their contract. Just as with consumption management, people in a company need to routinely collect data about the performance of suppliers. Any

supplier that consistently falls below requirements should be made aware of their shortcomings and asked to correct them. Often the supplier themselves should be given responsibility for tracking their own performance. They should be able to proactively take action to keep their performance up to contracted levels. An example of this is the concept of vendor managed inventory (VMI). VMI calls for the vendor to monitor the inventory levels of its product within a customer's business. The vendor is responsible for watching usage rates and calculating economic order quantities (EOQs). The vendor proactively ships products to the customer locations that need them and invoices the customer for those shipments under terms defined in the contract (Michael Hugos, 2011).

#### **2.1.4 Procurement Performance**

For any organization to change its focus and become more competitive, performance is a key driver to improving quality of services. Performance is achieving the set of objectives and responsibilities from the perspective of judging party. Consequently, indicators should be gathered relating to activities conducted by procurement officers. Further, procurement performance is the extent to which operational procurement outcomes demonstrate high levels of improved performance in the lead time, cost, labor-productivity and capital utilization (Martinez-Martinez, 2008).

Procurement performance is a measure of identifying the extent to which the procurement function is able to reach the objectives and goals with minimum costs. There are two main aspects of the procurement performance; effectiveness and efficiency. Procurement effectiveness is the extent to which the previously stated goals and objectives are being met. It refers to the relationship between actual and planned performance of any human activity. While, efficiency is the relationship between planned and actual resources required to realize the established goals and objectives and their related activities, referring to the planned and actual costs (Van Weele, 2002).

Efficiency is a rather narrow concept, focusing on the internal works of the function and generally defined as the amount of resource used to produce a unit of output, which is time or cost based. On the other hand, effectiveness has been defined in terms of degree to which a function meets its goals or the ability of function to acquire needed resources. Thus, procurement performance can be considered as to which the procurement professionals are able to realize their predetermined

goals at the sacrifice of minimum of the organizations resource (Van Weele, 2000: Knudsen, 1999)

Van Weele (2006) maintained that there is a link between procurement process, efficiency, effectiveness and performance. Procurement performance starts from purchasing efficiency and effectiveness in the procurement function in order to change from being reactive to being proactive to attain set performance levels in an entity. Performance provides the basis for an organization to assess how well it is progressing towards its predetermined objectives, identifies areas of strengths and weaknesses and decides on future initiatives with the goal of how to initiate performance improvements.

Assessment of procurement performance helps organizations to reduce cost, enhance profitability, assured supplies, quality improvements and competitive advantage. However, Batenburg and Versendaal (2006), noted that use of inappropriate means can be a barrier to change and may lead to deterioration of procurement operations. Organizations which do not have performance means in their processes, procedures, and plans experience lower performance and higher customer dissatisfaction and employee turnover. Measuring procurement performance yields benefits to organizations such as cost reduction, enhanced profitability, assured supplies, quality improvements and competitive advantage.

Smith and Conway (1993), identified seven key success factors which influence procurement, namely; a clear procurement strategy, effective management information and control systems, development of expertise, a role in corporate management, an entrepreneurial and proactive approach, co-ordination and focused efforts. An eighth is fundamental; communicate the key success factors to all levels of the organization and set out a procurement strategy to achieve continuous improvement in value for money. This should be based on total cost, quality, and enhancement of competitiveness of suppliers using best procurement practice.

There is need to have coherent methods of performance in the procurement function in PEs. Lardenoije, et al (2005) avowed that basing on financial performance and neglecting non-financial performance cannot improve the procurement operations because only partial performance is considered. Realization of procurement goals is influenced by internal and external forces. Interactions between various elements; professionalism, staffing levels and

budget resources, procurement organizational structure, regulations, rules, and guidance, and internal control policies, all need attention and influence procurement performance.

Christopher (2005) distinguished features of a responsive organization. Major transformations are; from functions to process, profit to performance, products to customers, inventory to information, and transactions to relationships. Critical measures of procurement performance need to be continuously monitored. The idea of 'Key Performance Indicators' (KPI) framework suggests that whereas there are many measures of procurement performance to be deployed in an organization, only a small number of critical dimensions contribute more than proportionately to success or failure. A balanced scorecard can provide guidance on critical areas where action may be needed to ensure achievement of goals. Three key outcomes of success are: better, faster, and cheaper. The goals combine customer-based measures of performance in terms of total quality with internal measures of resource and asset utilization. Benchmarking helps identify current best practice and then focuses on how processes could be re-engineered and managed to achieve excellence in critical procurement areas. Emphasis should be on search for strategies that provide superior value in the eyes of customers seeking greater responsiveness and reliability.

### **2.1.5 Factors Affecting Procurement performance**

Are factors which have ability to affect and influence the performance of in negative manner. Those factors can be classified as internal and external

#### *2.1.5.1 Internal factors*

##### **a. Procurement Planning**

A procurement plan defines and documents the details of purchases from suppliers needed for a particular department. According to Basheka (2008), procurement planning is the major function that sets the stage for successive procurement activities.

Likewise, James (2004), Burt, *et al* (2004) and Quentin (2003) describes that the principles of planning can be implemented in an atmosphere of complete harmony. He further states that, as a function, procurement planning endeavors to answer the questions as to what one wants to procure, when to procure it, where to procure them from, when the resources be available, the methods of procurement to be used, how timely procurement or failure will affect the user of the

items, the procuring and disposing entity, efficiency in the procurement process and the people to be involved in the procurement. Peter (2012) states that good procurement plan should describe the process in detail to appoint pertinent suppliers contractually. At the beginning, the items needed to procure are defined, and then the process for acquiring those items is expounded in detail. Finally, the timeframe for delivery is scheduled.

### **b. Donors Funding**

Most Humanitarian organization receives donations which may come in the form of money or supplies. The supplies donated may not necessarily be what is required at times. The donors may dictate on how the funds are to be used. A situation may arise where particular supplies are required but the funds cannot be used to procure these supplies, this is a big challenge in procurement. Private funding from individuals, trusts and foundations, and companies and corporations is not only valued for its volume, humanitarian agencies also value the flexibility and reliability of private funds because they come with less earmarking and a longer time frame than funding from institutional or state donors.

According to Herzer & Nunnenkamp (2012), Government grants crowd in private donations in the long run, whereas commercial revenues crowd out donations in the long run. Because of this "crowding out" effect, a government choosing to increase funding to a charity by a given amount may actually increase the charity's revenues by only a fraction of that amount. The same effect can occur in the opposite direction. If a government sees that private donations to a charity have risen, then it may reduce its support of that charity. Additionally, government funding may "crowd in private donations if governments use grants as a signal of the quality of a public good (Heutel, 2009).

Despite its growing importance, there is no systematic reporting of private funds, so it is impossible to gauge accurately how much there is, or where and how it is spent. Until there is a shared and reliable evidence base it is impossible to accurately measure progress, or to coordinate and target resources effectively. The ability to hold all actors to account are also severely hampered (Stirk, 2014).

### **c. Procurement policies and procedures**

Procedures are operating instructions detailing functional duties or tasks. Moncska, *et al* (2010) stated that procedures provide guidance to staffs what to follow in the execution of activities put constraints on behavior and show how the procurement function should work to achieve strategic objectives. According to Saunders (1997), the division between public and private sectors creates two different worlds, requiring different approaches to procurement. Public ownership imposes obligations with regard to public accountability, leading to prescribed procedures and policies. All steps of the procurement cycle must be properly documented with each step being approved by the designated authority.

A procurement policy may define the approval process for contracts of varying cost levels and may include role of purchasing, conduct of procurement staff, buyer-seller relationships, and operational issues. Without elaborate and effective procurement procedures procurement policy objectives would fail to meet the desired objectives. Lysons (2006) defined tendering as some purchasing procedure whereby potential suppliers are invited to make a firm and unequivocal offer of the price and terms, which on acceptance shall be the basis of the subsequent contract.

Organizations need standard procurement procedures which cover all aspects of the procurement cycle, including supplier selection, contract negotiations, order placement and payment. These are used to control spending activity, ensure appropriate approvals are in place and reduce the risk of overpayment. An appropriate approval process involves a separation of tasks and the involvement of senior managers for transactions that cost more than a specific price for enhanced procurement performance (Lysons, 2006).

Burt *et al.* (2010) stated that every organization develops procedures to enable its personnel implement policies and plans; designed to meet their objectives. Jones and George (2009) postulated that bureaucratic control mechanism is control by a comprehensive system of formal rules and standard operating procedures (SOPs) that shapes and regulates the behavior of divisions, functions and individuals. SOPs and rules allow employees to perform activities efficiently and effectively. Moncska, *et al* (2010) thought that the procurement function has a significant impact on corporate performance. Thus, traditional procedures are becoming obsolete in modern organizations. Procedures provide guidance that staffs follow in performing activities,

put constraints on behavior and show how the procurement function should work to achieve strategic objectives.

#### **D. Staff Competency and professionalism**

Armstrong and Baron (1995) explain that competency is the application of knowledge and skills, performance delivery, and the behavior required to get things done very well. Besides competency indicates adequacy of knowledge and skills that enable someone to act in various situations (Aketch and Karanja, 2013). According to Russell (2004), absence of adequate knowledge in procurement matters, may end up with serious consequences including breaches of codes of conduct. According to Banda (2009), many organizations do not have staff with the right competence critical to good procurement process management. As a result, considerable and continuous investment is incurred in training and development (Sultana, 2012) and there is a need for extensive external training for human resources to be able to improve and contribute to the efficiency of organizations (Appiah, 2010). Moreover, Saunders (1997) advises that multiskilling offers employees with a variety of skills and should be developed extensively. Hence, all employees need broad and continuous education and training.

Leenders and Fearon (2002) noted that qualifications are crucial for value-based management which requires employees to assess and improve processes while contributing to team performance. Baily *et al*, (2005) suggested that the existence of top-down objectives with related performance measures, and process guidelines link individual or group performance to the firm's goals and expectations of upper management which require good qualifications. Banda (2009) stated that many organizations lack competent staffs with the proper knowledge for good procurement process management. He further noted that authorities should give greater emphasis for developing competence to adopt best practice more widely.

According to Berger & Humphrey (2007) a procurement function that is carried out professionally is the core of delivery of any service on value for money principle. Furthermore, Sultana (2012) stated that in order to sustain economic growth and effective performance, it is important to optimize the contribution of employees to the aims and goals of the organizations. Therefore, competence can ensure that the benefits of new products and services are brought to the attention of the right person in the organization.

### *2.1.5.2 External Factors*

#### a. Legal Environment

The legal environment refers to a broad legal framework that governs all business activities including research and development (regulations dealing with safety and health of new products), manufacturing (safety and health regulations at workplace and pollution control), finance (regulations dealing with disclosure of information), marketing (regulations dealing with deceptive advertising, disclosure of product characteristics), personnel (regulations dealing with equal opportunity for women and minorities), and contracts. Indeed, most aspects of contracts public or private such as contract requirements, disputes, and breach of contract are governed under the same contract law. In developing and particularly transitional countries, where legal systems are not comprehensive, government contracts may need detailed provisions, (Akintoge, 2000).

#### b. Political Environment

In a democracy many individuals, groups, and organizations in the private sector including trade associations, professional associations, and business firms or companies (commonly known as interest groups) are actively involved in all aspects of the procurement system. Having various interests, objectives and beliefs, interest groups are involved in the procurement system in several ways such as lobbying legislative bodies to pass or alter procurement statutes, influencing implementation of these statutes, and influencing budget authorization and appropriations processes. In this democratic environment, there are cases of a strong coalition of policy makers, bureaucrats and interest groups in their effort to get their programs adopted. This coalition has led to the concept of the "iron triangle," which is very popular in the area of defense procurement. However, the iron triangle shifts immediately after the procurement program authorization and appropriations stages to move to the procurement stage. As failure or success in winning large defense contracts has a great impact on a company, defense specialized companies compete against each other for these contracts (Thai, 2001).

### c. Socio Economic Environment

While some countries impose social policies on their procurement practices (such as a policy placing a fair proportion of government acquisitions with woman/minority owned small business, or economically disadvantaged areas), most governmental entities be it a developed or developing country or federal, state, and local governments use their large procurement outlays for economic stabilization or development purposes by preferring national or local firms over firms from other countries or other geographic locations. Procurement practitioners may be in a favorable economic environment or market (with many competing renderers in their country or local areas) or an unfavorable economic environment (where competition hardly exists). This environment would have a great impact on their practices as they may face an imperfect competitive market. In addition to social and economic environment, public procurement practitioners are under other external pressures such as an environment protection movement, and foreign policy commitments (Van Weele, 2006).

### d. Market Environment

Market conditions have a great influence on procurement practitioner's effort to maximize competition. Moreover, the market determines whether or not socio-economic objectives of procurement are accomplished, whether or not a humanitarian aid entity can fulfil its needs, the timeliness of fulfilment, and the quality and costs of purchased goods, services and capital assets. As there are different levels of economic growth among countries in the world, market conditions are very favorable in industrialized countries, while they may be unfavorable in developing countries. Also as markets become more and more globalized through regional and international trade agreements and treaties, procurement practitioners face a greater challenge. In addition to compliance with their government's procurement laws and policies and international trade requirements as mentioned above, they face additional challenges including communication, currency exchange rates and payment, customs regulations, lead-time, transportation, foreign government regulations, trade agreements, and transportation. Thus, "before embarking on a foreign purchasing program, procurement practitioners must carefully assess the total cost implications and compare them to domestic costs" (National Institute of Governmental Purchasing, 1999).

### **2.1.6 Determinates of procurement performance**

#### **I. Supply Chain Integration**

Supply chain integration is recognized as a strategy for improving business performance in highly competitive environments. In recognition of this, manufacturing firms have been pursuing a variety of supply chain management practices (Morash & Clinton, 2008). Supply chain integration has been conceptualized in various levels: functional, internal and external, encompassing customer, manufacturing, distribution, and purchasing issues. Saunders (1997) suggested that there are two interrelated forms of integration that manufacturers regularly employ. The first type of integration involves coordinating and integrating the forward physical flow of deliveries between suppliers, manufacturers, and customers. The second integration method is backward integration. Backward integration enables the manufacturer to make a better prediction of the input price and, therefore, a more profitable investment decision. Supply chain integration, links a firm with its customer, supplier and other channel members by integrating their relationships, activities, functions, process, and locations.

From supply chain management literature, integration is closely associated with performing activities in several areas and with certain intensity in each of those areas. Integrative activities can be developed in different areas such as flow of goods, planning and control, organization, and flow of information (Donk & Van Der Vanet, 2005).

Bowersox (2006) propound that the process of supply chain should progress from the integration with supplier and customer. The external and internal integration can be accomplished by continuous standardization of each internal logistic function and by efficient information sharing and strategic linkage with supplier and customer. Coordination of supply chain operations amongst companies is become strategically important as new forms of organization are taking place such as virtual enterprises, global manufacturing and networks manufacturing and different company-to company alliances (D'Amours, 1999).

The important of time as a competitive weapon and the ability to meet customer and market demand with shorter delivery times is important and has been recognized in this circumstance. Several companies are stressing flexibility and agility in order to response to the unique needs of customer and markets. Getting the right product, at the right price and at the right time to the

consumer is not only crucial to competitive success but also the key to survival. These are crucial elements for consideration when attempting to establish a new supply chain strategy. Having the right product available, in the right place at the right time, enables the business to compete in this volatile market-place (Anatan, 2006).

## **II. Top Management support**

It is a fact that the key reason for the success or failure of a procurement strategy is the top management of the company. If you are going to implement a plan to improve the way your company buys supplies and manages them, this cannot be something that is approached in a half-baked manner. If top managers do not care about weeding out old worn out operating procedures, redundant ordering processes and wasteful spending, eventually the plan will peter out for lack of support. A well-oiled procurement management plan definition means that everyone in the company organization – from top to bottom is on the same page when it comes to streamlining and improving purchase supply chain goals. <http://www.procurex.co/procurement-best-practices-2-top-management-support-key-to-success>

A key tenant of procurement management best practices is that upper management shows its full support of any changes taking place in the supply chain. All companies tend to get bogged down in red tape of some sort or another. For instance, the procurement team has identified a huge cost savings that can be had by switching to another vendor. Unfortunately, they cannot implement this change because they have to wait for approval from someone from upper management. This particular manager doesn't like the idea of changing vendors because the company has been using said vendor for many years. Therefore, the request goes nowhere. This particular manager values vendor loyalty over making a change that would save the company money. This manager simply doesn't get it. <http://www.procurex.co/procurement-best-practices-2-top-management-support-key-to-success>

Therefore, it is important to the success of the plan that all top managers are informed and brought into the procurement cost management process from the very beginning. Some companies even create a procurement council that oversees the entire procurement strategy. This way, there are no misunderstandings about why changes need to be made or how they happen. The best way to utilize your procurement manager and/or team is to let them know that they have full company support from all segments of management. Make a commitment to create a well

thought out plan that includes clear goals and action steps that can be approved fairly quickly. When top management is actively involved, that is when the most benefits and cost savings can be achieved. <http://www.procurex.co/procurement-best-practices-2-top-management-support-key-to-success>

### **III. Information Communication Technology**

As the procurement function of many organizations is becoming more strategic, procurement technology allows for a process re-design that makes the procurement process open with improved accountability, transparency and reporting capabilities; thereby speeding up the procurement cycle and providing greater access to more opportunities for suppliers (Charles, 2008). Procurement technology helps organizations accelerate procurement processes by integrating suppliers and inventory management in order to improve on stock level performance.

ICT provides new ways to store, process, distribute and exchange key information with customers and suppliers in the entire procurement system. Simatupang and Sridharan (2005) emphasized that information is the glue that holds organizations together and can be used to integrate procurement process activities both within a process and across multiple processes. Information on demand, forecasting and replenishment is recognized as a central component in integration of planning and control. Internal integration focuses on cross-functional processes. Externally, focus is on relationships with outside customers and suppliers. A relationship can have various intensity levels ranging from lowest open-market negotiations, cooperation and coordination to the highest collaboration level. Collaboration in procurement is based on a high degree of trust, commitment and information-sharing. It requires linking performance systems with decision making, information sharing and incentive alignment in the SC.

Thomas and Rainer (2005) discoursed that procurement systems have long been supported by ICT. With the implementation of ERP systems in the 1990s, EDI connections with suppliers were established through automation of delivery schedules by linking user materials management system with supplier systems. ICT enables organizations to decentralize operational procurement processes and centralize strategic ones due to higher transparency. Prior to e-procurement, strategic procurement often dealt with routine tasks such as individual transactions. Strategic aspects were frequently neglected, with the buyer having little influence over the choice of

suppliers and purchased products. Internet technologies facilitate faster and more efficient operational procurement processes enabling managers to concentrate on strategic tasks.

Christopher (2005) revealed that there is a dimension to information that enables supply and demand to be matched in multiple markets, often with tailored products, in ever-shorter time frames. This enables suppliers to react in real-time to market changes. ICT serves as the connection between various stages of the system, allowing them to co-ordinate and maximize total supply profitability. It is crucial to the daily operation of each stage in the procurement process. Kim and Rogers (2005) asserted that studies have examined business-to-business (B2B) transactions on different operational performance dimensions such as inventory cost, cycle time, and manufacturer flexibility. Rapid growth of importance of ICT application is a testimony to its impact on improving procurement performance. This is achieved through Internet, Intranet and Extranet. However, organizations must make a trade-off between efficiency and responsiveness.

Bowersox, *et al* (2007) argued that ICT provides the means for collecting relevant demand data, developing a common database and providing a means for transmitting order information. It allows organizations to change the way they source supplies for smooth operations.

### **2.1.7 Humanitarian organizations procurement practice**

According to Mangan et al, (2008) Procurement is a key activity in the supply chain, it can significantly influence the overall success of an emergency response depending on how it is managed. In humanitarian supply chains, procurement represents a very large proportion of the total spend and should be managed effectively to achieve optimum value. It serves three levels of users: The internal customer, programs in response to emergencies and ongoing programs, prepositioning of stocks, for both internal customers and program needs.

#### ***2.1.7.1 Principles of humanitarian logistics procurement***

There are three important principles of humanitarian logistics procurement:

The first one is Transparency: all phases in the procurement process are fair and accurately documented, the second one is accountability: accountability to donors who may require certain rules to be followed when using the money, they have provided and the last one is efficiency and cost effectiveness: meeting the six rights of supply; price, right time, right quantity, quality

services, delivery to the required places and from the most cost-effective source. (Rushton et al, 2010).

### 2.1.7.2 Process of Procurement practice

Logistics staff participation in assessments provides logistics information and data that supports program/response implementation. This enables the logistics function to know and understand program or response needs. The organization is then able to plan ahead for the provision of the goods and services. The assessment results feed into procurement plans. In an emergency situation, the participation of logisticians will inform management on the feasibility of a response to physical needs (Mangan *et al*, 2008).

According to Mangan *et al*, 2008 for emergency response purposes, the procurement process can be wrapped into four clear steps: needs identification, specify, sourcing, awarding and placing orders and supplier management to facilitate timely delivery.

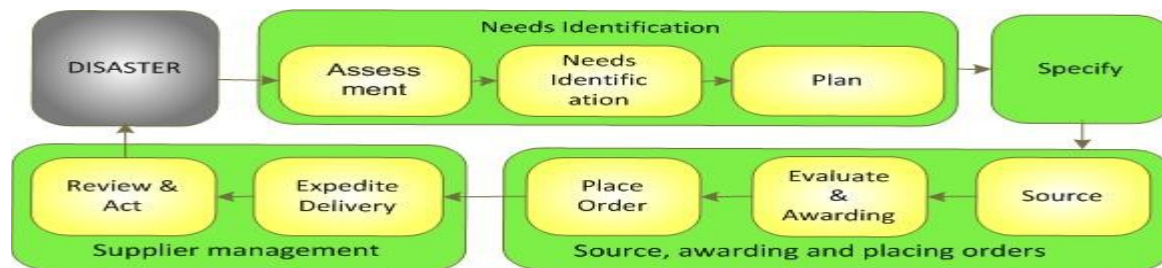


Figure 2.1 procurement process of humanitarian organizations

#### 1. Needs Identification

Requirements for goods and services originate from different users. In emergencies, the response teams in various sectors request for basic supplies to meet the needs of those affected. The needs range from blankets, mosquito nets, tents to food supplies, household items, etc. The needs are communicated to procurement in the form of a “request”. These requests may be electronic, hard copy or verbal, and may be very specific where the users know exactly what they need in terms of specification, quantities, and delivery details. Or they may be less specific where the users are not able to provide exact information. In emergencies, the requests are sometimes verbal or done on email communication (Mangan *et al*, 2008).

## 2. Plan

Once the needs have been identified and forwarded to procurement in a request form, the procurement department should develop or communicate a plan on how to deliver the service or goods required. But the plan must be developed in collaboration with the other functions within the organization, so that it is integrated into the organization's strategy and therefore provided for adequately (Rushton *et al*, 2010 and Mangan *et al*, 2008).

## 3. Specify

To be able to purchase the right goods or services, the specifications of what the user/beneficiary needs must be clear. These specifications are used to communicate to the supplier what is needed and what should be supplied. It is therefore important to have clear, precise and accurate specifications. Most organizations have standard specifications for the most regularly procured items and services such as medical and construction. One example is of Inter-Agency working groups who have developed standards to facilitate the establishment of common framework agreements (Rushton *et al*, 2010 and Mangan *et al*, 2008).

## 4. Source, awarding and placing orders

### a. Method

Some of the methods of purchasing or obtaining goods and services for an emergency are: drawing from existing stocks within the organization, cash purchases on approval, calling-offs from existing supply/framework agreements/long term agreements, ordering from a sole/single source, multiple sources, supplier, alliances/partnerships; these could be local or international purchasing, purchasing from the open market on a quick request for quotation with request for short turn-around, in preparation for slow-on-set or for complex emergencies, purchase from the open market through an open invitation to tender, other agencies'/organizations' donations and borrowing from stock held by other agencies/organizations' in the UNHRD network (Rushton *et al*, 2010 and Mangan *et al*, 2008).

### b. Process

Sourcing is the process of identifying sources of supply that can meet the organizations' immediate and future requirements for goods and services. In an emergency situation, the

immediate needs would be priority consideration. Under the circumstances, identifying sources of supply and accessing supplier capabilities will either be carried out as users' place their requests to procurement or once a request has been received. The sourcing process adopted will depend on the situation and on the time available to carry out sourcing. In response to a slow onset emergency, stock-piling may take place before specific requests are made (Rushton *et al*, 2010).

In a sudden on-set emergency the need to respond quickly to the emergency will mean there is no time to gather sourcing information and approve suppliers before customers start to place requisitions. The organization would then call-off on existing stocks or purchase short term requirements off the local market for the initial days or order from existing agreements (Rushton *et al*, 2010).

### **c. Vendor performance**

Vendor rating and supplier performance monitoring are applicable to all scenarios for quality service delivery. These aspects should be built into on-going business. For emergencies, performance monitoring is limited to delivery and quality of goods. Though vendor rating is applicable in emergencies, the criteria may vary from one that is used in the long-term arrangements. For example, ability to deliver immediately may carry more weight than the price, provided the price variation is not too big (Rushton *et al*, 2010 and Mangan *et al*, 2008).

### **d. Evaluation and Awarding**

The evaluation of tenders and awarding of contracts to suppliers is an important phase of the procurement process. It is this process that determines the actual quality, reliability, delivery, etc. of the goods and services. The procurement department coordinates the activities of: analyzing and evaluating the bids against set criteria, specification requirements and presenting the analysis to an appointed committee; this process is applicable for both quotations and tenders, verification of supplier capability and quality control/assurance processes , reviewing product inspection results where necessary, verification of technical evaluation reports where applicable, negotiates with vendors where it is recommended by the committee and places orders and expedites the delivery (Rushton *et al*, 2010 and Mangan *et al*, 2008).

#### **e. Placing Orders and Contracting**

The next step in the process involves placing orders for the goods or services with the supplier, or establishing contracts which need to be sent to suppliers. In emergency situations, the approval levels and limits are adjusted, based on an approved process, to speed up the process of acquiring goods and services. Under normal circumstances, the approval processes may be more elaborate. The orders establish contractual relationships between the organization and the supplier. Depending on the organizations' guiding policies, this contractual relationship can be represented in various forms. Important features of a contract or agreement during negotiations are: cost, specification/description, quantity, lead-time / delivery time, approvals, date of issue, serial number, terms and conditions (including penalties) and INCOTERMS / place of delivery should be taking in to considerations (Rushton *et al*, 2010 and Mangan *et al*, 2008).

#### **f. Expedite/ Progressing Orders**

Once the order is placed and the supplier has confirmed receipt and agreed to the contract terms and conditions, the role and the amount of work that staff in procurement have to undertake will be affected by the performance of the suppliers. It is necessary therefore, for the procurement staff to monitor the progress of orders and the performance of the suppliers. Supplier performance will determine the amount of time and money that has to be spent in expediting orders and the managing of suppliers. To ensure an uninterrupted flow of goods and services, expediting should be a continuous process, especially in emergencies. The continuous monitoring enables the organization to pick out break-down points in the system and quickly identify solutions (Rushton *et al*, 2010 and Mangan *et al*, 2008).

#### **g. Delivery and Return**

Procurement only facilitates delivery through expediting for timely delivery and trouble-shooting returns. The physical receipt and inspection of goods takes place at the delivery point. Procurement only needs to know that delivery has taken place and that the supplier has delivered in accordance with the purchase order and complied with delivery contract requirements. Whoever is responsible for accepting delivery and inspecting the goods should understand the procedure to follow in the event that there are any problems or discrepancies. For certain goods or

commodities an independent inspection company may be used to check the quality of the goods (Rushton *et al*, 2010 and Mangan *et al*, 2008).

### h. Payment

When goods or services are received and accepted into stock, procurement then facilitates payment of the supplier by providing necessary documentation to finance. Orders are normally generated in procurement. As the goods are delivered in the warehouses and transported to final distribution points, additional documents are generated in the process to support transactions. All these documents are finally consolidated to support vendor payments. In the diagram below, the entities on the left generate the documents. On the right are examples of some of the documents used to support payments (Rushton *et al*, 2010 and Mangan *et al*, 2008).

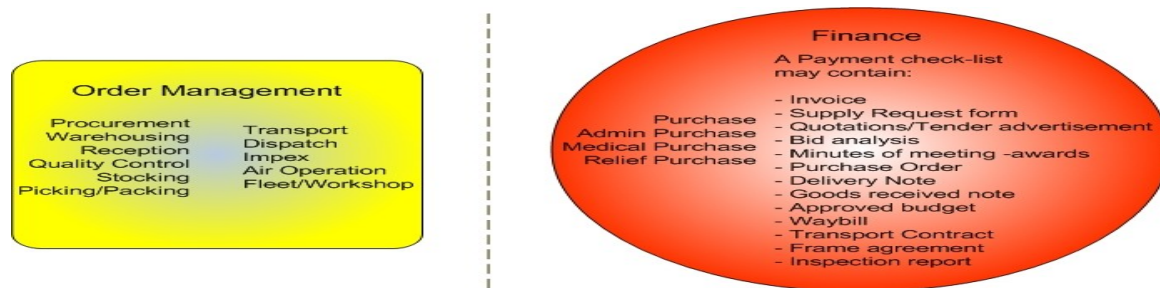


Figure 2.2: Example of necessary documentation used to support payments.

## 2.2 Empirical Literature review

Senait Beyan, *et.al*, 2016 emphasized that staff competence & level of professionalism and resource allocation were the most related factors affecting procurement performance. Even though, they affirm that staff competency can be measured in terms of training, motivation, procurement negotiation skills, creativity, interpersonal and analytical skills and deployment of staff based on their skills. Resource allocation factor also can be measured in terms of adequateness of resources, flexibility of budget allocation to fit changes in the economic environment, tender award and tender float based on resource availability and confirmation. Additionally, they revealed that procurement planning and procurement procedure were the least related factors affecting procurement performance from the given and measured variables.

Compton (2007), suggests that effective execution of organization procurement procedures greatly depends on the level of employees' training since lack of professional trained staff on

procurement functions limits the ability of the organizations to embrace procurement best practices through benchmarking. Charles (2009) affirms that lack of professional training is a key impediment to maintenance of high level of professionalism in the execution of procurement in construction firms

Golder (2007) asserts that organizations that fail to integrate procurement functions with information communication technology systems like electronic data interchange, employs manual procurement procedures that are inefficient and ineffective and leads this to wastage of procurement funds since the procurement processes are characterized by a low degree of transparency. According to Ken (2007), IT has reached almost every aspect of procurement and may enhance and deepen the effort of procurement reform. Specifically, information technology (IT) promotes economy and efficiency, significant savings of companies' funds by increasing competition, transparency by making available. Procurement information of all sorts such as bidding opportunities, bidding documents, notices etc.

Grace and Fridah, 2015 asserted that only application of information communication technology (ICT) significantly affects procurement performance. However, procurement policies are a hindrance and barrier to service delivery in the organization and these procurement policies are inefficient in solving procurement challenges in the organization. Furthermore, procurement policies in humanitarian organizations should be streamlined by the policy makers in such organizations to ensure that they do not inhibit delivery of critical services. Humanitarians organizations should invest in information technology especially e-procurement in their procurement departments to ensure that the procurement processes are made more efficient towards aiding service delivery in such organization without necessarily compromising the integrity of any procurement process.

According to Florence. K. & Richard Nond, 2017 procurement efficiency is achieved through best procurement policies, procurement ICT adoption, procurement accountability and procurement professionalism. From their findings, the results showed that all the four independent variables had positive significant on dependent variable. They suggested that policy makers in implementing up procurement policies geared up towards improving procurement efficiency.

Boniface. I, *et al*, 2014 having motivated and well qualified staff and effective records management systems are crucial for enhanced public procurement performance. On the other hand, failure to automate procurement systems and non-adoption of ICT systems impacted negatively on procurement performance.

Abass Haji Abdalla, 2014 confirms as there is a relationship between the procurement process and its effectiveness on the procurement function in terms of timely delivered of the items and the quality of the procuring items in general. Besides, there is a great interrelation between the procurement process and its effectiveness of the procurement function. This means that when the whole process of procurement process is managed in a proper way there are fewer obstacles in the procurement functions. Not only that but also when there are effective procurement processes in the organization the performance of the procurement function, the objectives which are amongst are timely delivered and procuring of the quality items will be achieved.

Plans are not static and that preparation of annual procurement plans should be participatory, frequently reviewed so as to improve on the procurement performance. Equally, management of the procurement process should be administered by qualified, competent and experienced procurement professionals (Japheth Ocharo Kiage, 2013). Moreover, the study concluded that Planning, resource allocation, staff competency and contract management positively affected procurement performance.

### **2.2.1 Identified literature Gaps**

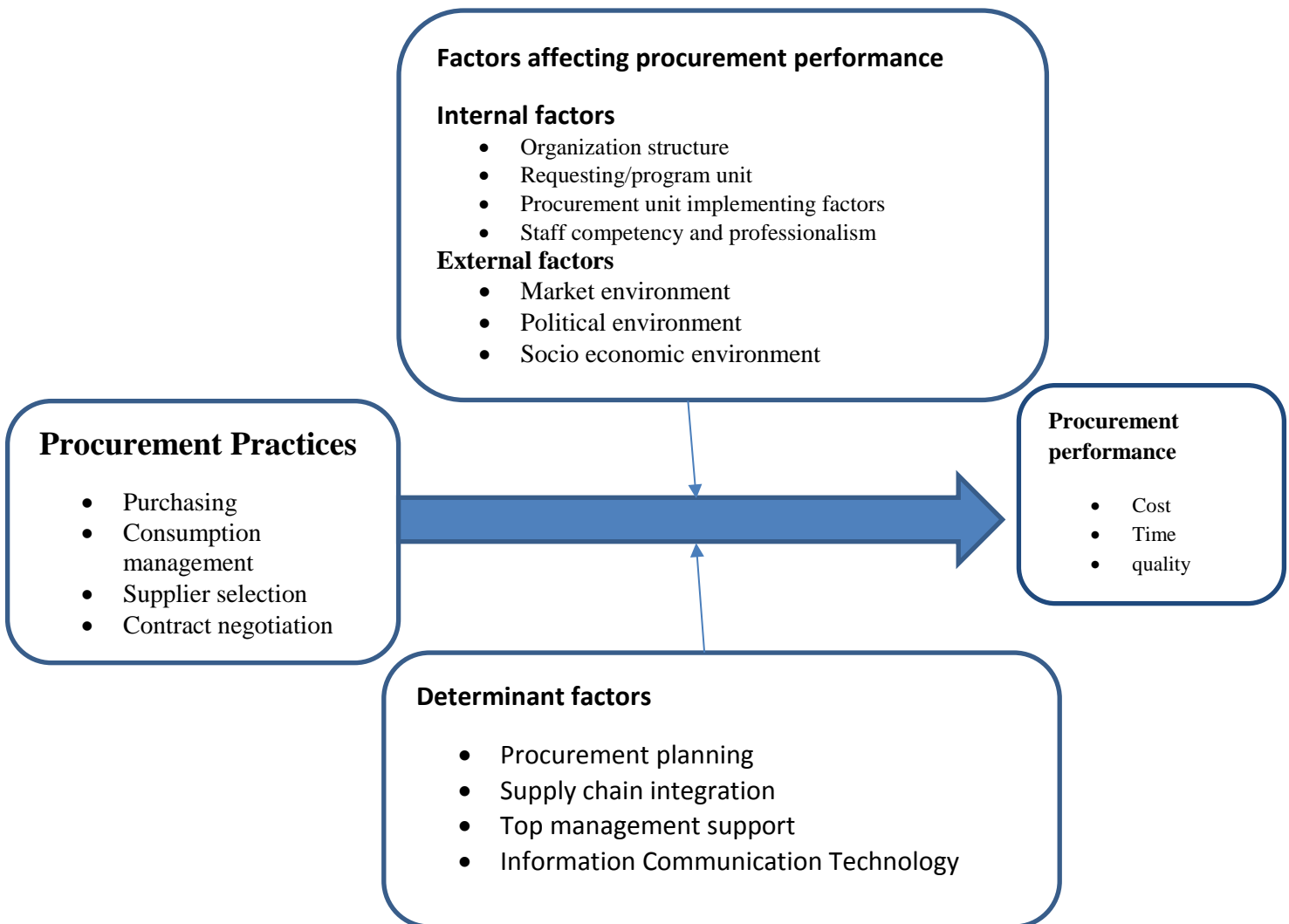
The theoretical and the empirical literature determine that, the existing literature on influencing factors affecting procurement performance is not extensive in Africa and in Ethiopia particularly. Most of studies on factors affecting procurement performance are common in the area of public/government organizations, profit making/private organizations and manufacturing firms. Whereas, researches in the non-governmental organization specifically in the United Nation Firms of Ethiopia are rare. The studies done failed to explain how each of the sourcing strategies can support implementation of effective procurement practices in humanitarian relief operation firms. This indicates that, there lacks a specific study that clearly identifies the factors affecting procurement performance in humanitarian relief operation in Ethiopia. Therefore, this study

sought to fill the missing gaps by determining the critical factors affecting procurement performance in humanitarian operations, case of IOM.

### 2.3 Conceptual frame work

The study will attempt to establish factors that influence procurement performance at IOM. The aspects of different factors (internal and external influencing factors) & determinants of procurement performance and procurement practices are the independent variables while procurement performance in terms of cost, time and quality is the dependent variable. The conceptual can be summarized in figure 2.3

Figure 2.3 conceptual frameworks of the study



Own source from literature review, 2019

# CHAPTER THREE

## 3 RESEARCH METHODOLOGY

*This chapter sets out the methodology that was used for the study. It involved a blue print for the collection, measurement and analysis of data. Specifically, the following subsections were included; research design, research approaches, data sources, data collecting tools, data collecting procedures, data processing & analysis and validity & reliability of the study.*

### **3.1 Description of the Study Area**

The study focused on factors affecting procurement performance in humanitarian operation of the international organization for migration, UN Migration Agency.

The study conducted in International organization for migration (IOM). Located in capital city of Ethiopia Addis Ababa around ECA, at Yemez Building. The International Organization for Migration (IOM) is an intergovernmental organization that provides services and advice concerning migration to governments and migrants, including internally displaced persons (IDP), refugees, and migrant workers. In September 2016, it became a related organization of the United Nations. It was initially established in 1951 as the Intergovernmental Committee for European Migration (ICEM) to help resettle people displaced by World War II. As of March 2019, the International Organization for Migration had 173 member's states and eight observer states. IOM has been working in Ethiopia since 1995, currently working in eight regions in providing relief services to refugees, victims of drought, and war affected populations (<http://www.ethiopia.iom.int>).

### **3.2 Research Approach**

Most researchers argued that the best method to use for a study depends on the purpose of the research, researcher data and the accompanying research questions. According to (Kothari,2004) mixed research method is defined as the class of research welfare the researcher mixes or

combines quantitative and qualitative research techniques, methods, approaches, concepts or language in to a single study.

This study was conducted by using the mixed research approach with qualitative and quantitative approaches. Because, mixed research is useful to capture the best of both qualitative and quantitative approaches and in this the researcher also intended to assess practices of procurement activities. The advantage of using mixed methods is that it enables to triangulate and support the data and result collected by questionnaire (Greener, 2008 and Saunders *et.al*, 2007).

### **3.3 Research design**

The study identified factors influencing procurement performance on the bases of fundamental theories, principles and management philosophies that are presumed to be effective just to describe the actual practice and challenges of the study company. Therefore, the study employed both a descriptive research and explanatory research design.

The descriptive design was used to describe the characteristics of the independent variables (procurement activities and factors influencing those activities). While, the inferential statistics specifically regression analysis and correlational analysis was deployed to measure the relationship between the determinant factors and procurement performance.

### **3.4 Population and Sampling Design**

Pout and Hungler (1999) defined a study population as an aggregate or totality of all the objects, subjects or members that conform to a set of specifications. In this study, the total population was made up of the whole staffs who were working in the department of procurement and logistics unit within the organization head office and sub office level. Currently the organization has 47 numbers of procurement and logistics staffs (procurement 23 warehouse and asset management 9 and 15 logistics) with in Addis Ababa head office and sub offices. In this regard, as the study covers all procurement and logistics activities the study included the whole staffs who are working in the department of procurement and logistics unit. Therefore, census survey method was deployed to undertaken this research.

### **3.5 Source of data**

To obtain reliable data the researcher used both primary and secondary data. The primary data for research paper was collected from employees, supervisors and manager of the targeted units and the secondary data also collected from written materials like scholar journals, organizational reports, manuals, from books and intranet & internet.

#### **3.5.1 Data collection tools**

In an attempt to obtain first-hand information, the data was collected from the targeted population through questionnaires designed by the researcher based on the problem statement and literature review. Based on the conceptual framework and the research questions the structured questionnaires was distributed and collected from employees. The questionnaires were prepared in English because the target area populations were both professional employees to understand the subject matter.

#### **3.5.2 Data collection procedure**

A list of targeted respondents with their detail address (phone number, email and location) was obtained from Addis Ababa head office human resource unit. After requesting the respondent's willingness to participate in the research, the questionnaire was distributed to all staffs of procurement and logistics unit working in head office and sub offices. In order to avoid confusion and to make the administration ease, a close follow up was maintained during filling up of the questionnaire. Due to this follow up the study collected 85% of the questionnaires from the respondents.

### **3.6 Data processing and Analysis**

The questionnaires were administered, and the mass of raw data collected systematically organized in a manner that facilitated analysis. All data collected was checked for consistency of responses and cleaned before entry into computer file. The data was analyzed by using statistical Package for Social Sciences (SPSS) Version 20 and the results, displayed using tables, and the relationship between determinants of procurement performance and procurement performance was displayed by using inferential statistics tools mainly correlation and regression analysis.

**3.7 Validity and Reliability issue**

**A. Reliability**

A. Field (2009) explained reliability as “a means that measure (in this case questionnaire) should constantly reflect the construct that it is measuring”. “Reliability refers to the consistency and stability of findings that enables findings to be replicated” (Burns, 2008). “Cronbach’s Alpha is very useful in developing attitude scales and questionnaires as the alpha level (or reliability) indicates if the items are measuring the same construct. Items that are not measuring what the rest are can be identified and deleted” (Burns, 2008). Cronbach’s Alpha Should be over 0.70 to produce a reliable scale and any scale less than this alpha coefficient should be eliminated according to Burns (2008). Table 3.1 reliability statistics of survey result showed that Cronbach’s alpha 0.82 which was statistically reliable scale.

Table 3.1 Reliability statistics

Reliability Statistics	
Cronbach's Alpha	N of Items
.819	5

*Source own survey result, 2019*

**B. Validity**

“Whilst reliability relates to the accuracy and stability of a measure, validity relates to the appropriateness of the measure to assess the construct it purports to measure” (Field, 2009). To make the study valid the researcher used different techniques such as preliminary survey to ensure the measurement and assessment of the real situation. The content of the items were also analyzed with the help of experienced procurement experts and academicians in the area of procurement and literatures related to procurement management and procurement performance. Moreover, to make valid and predictive the outcome of the study, the researcher distributed personally each questionnaire by communicating and convincing all respondents the purpose of the study.

### **3.8 Ethical Considerations**

Ethics is becoming an increasingly prominent issue for all researchers. Researchers are encouraged to employ knowledge of research ethics in practice. Ethical issues were prominent throughout this research process, starts from the data collection, during the analysis, writing up of the final report and presentation.

The researcher clarified the respondents about the objectives of the study and explained that the information would be used only for research and academic purposes. During conducting data collection, both honesty and was respected for the rights of the respondents in place. Again, the researcher respected the rights to anonymity, confidentiality and informed consent of the respondents.

## CHAPTER FOUR

### 4. Data Analysis, Interpretation and Discussion

#### 4.1 Introduction

*This chapter presents analysis, interpretation of results and discussion of the study as set out in the research methodology. The data was gathered exclusively from questionnaire as the research instrument. The questionnaire was designed in line with the objectives of the study. To enhance quality of data obtained, likert type questions were included whereby respondents indicated the extent to which the variables were practiced in a five point likert scale.*

#### 4.2 Response rate

According to the American Association for Public Opinion Research, response rate in survey research is calculated as the number of people who answered the survey divided by the number of people in the sample. Hence, the response rate of the study was found to be 85% (39/46), and of which 3 questionnaires were discarded for they were incomplete. 78% of questionnaires from the total targeted population were found complete and treated in the study. This sample was thought enough to proceed with based on the suggestion made by (Cooper & Schindler 2003) and the study sample of size equal to or above 30 is statistically sufficient for generalization. According to Mugenda and Mugenda (2003), Rogelberg and Stanton (2007) and Saunders *et al*, (2007), a response rate of 50% is adequate, a rate of 60% is good, and a response rate of 70% and over is very good. Based on this awareness, the response rate in this study was considered to be very good for the study.

#### 4.3 Profile of the respondents

As the below table 4.1, indicates that 86.1% of respondents were male and the remaining 13.9% of respondents were female this indicates that the logistics and procurement unit of IOM is dominated by male. Regarding the age of the respondent's, majority of the respondent's age fall under the age of 31-40 years and 21-30 years with the percentages of 44.4% & 36.1% respectively. The remaining's are under the age of 41-50 years with the percentage of 19.4% years. This implies that, most of the staffs under procurement and logistics unit of the organization are young and they are well matured person. Majority of the respondent's education

background were bachelor degree holder with the percentages of 58.3% followed by master's degree and college diploma with the percentages of 25% and 16.7 % respectively. This shows that most of the respondents are qualified and have good educational background.

Regarding to the department of the respondents 58.3% of respondents were from the procurement department and the remaining 25% & 16.7% of respondents were from the department of logistics and warehouse and asset management. This helped to fill the questionnaire with complete of procurement knowledge. Concerning about the respondents work experience is dominated by 1-3 and 7-9 years of experiences with the percentages of 38.9% and followed by 4-6 and above 10 years of work experience at IOM with the percentages of 16.7 & 5.6 %. This means all of the respondents have a well-known experience to give answer for the questionnaire of the study.

Table 4.1 General information of the respondents

<b>General profile of the respondents</b>			
		Frequency	Percent
<b>Gender</b>	Male	31	86.1
	Female	5	13.9
	Total	36	100.0
<b>Age of respondents</b>	21-30 Years	13	36.1
	31-40 Years	16	44.4
	41-50 Years	7	19.4
	Total	36	100.0
<b>Level of education</b>	College Diploma	6	16.7
	Bachelor Degree	21	58.3
	Master's Degree	9	25.0
<b>Department of Respondents</b>	Total	36	100.0
	Procurement	21	58.3
	Logistics	9	25.0
	Warehouse and Asset MGMT	6	16.7
	Total	36	100.0
<b>Years of experience at the IOM</b>	1-3 Years	14	38.9
	4-6 Years	6	16.7
	7-9 Years	14	38.9
	Above 10 Years	2	5.6

Source own survey data, 2019

#### 4.4 procurement activities practice at IOM

The study wanted to know how procurement activities were being practiced and the study requested the respondents to indicate their level of agreements on the practices of procurement activities at IOM.

Table 4.2 procurement activity practices of IOM

Descriptive statistics							
Procurement Activities	Frequency					Mean	Std. Deviation
	S Disagree	Disagree	Neutral	Agree	S Agree		
Procurement/purchasing			8%	67%	25%	4.27	.466
Consumption Management	2.8%	11.1%	52.8%	30.5%	2.8%	3.14	.766
Vendor Selection			5.6%	44.4%	50%	4.45	.633
Contract Management	2.7%	5.6%	11.1%	38.9%	41.7%	3.39	.807
Contract Negotiation		5.6%	50%	27.8	5.6%	4.10	.907
N=36							

*Source own survey data, 2019*

As observed on the above table 4.2, procurement activities were being practiced procurement/purchasing (mean= 4.20), consumption management (mean= 3.14), vendor selection (mean= 4.45), contract management (mean= 3.4) and contract negotiation (mean= 4.10). Majority of respondents agreed that all of the procurement major activities are being practiced at IOM. Specifically, vendor selection, procurement/purchasing and contract negotiation are being practiced in great extent with the (mean of 4.45, 4.20 and 4.10) respectively, while as per the responses of respondents contract management and consumption management of the organization is weak explained with the mean of 3.39 and 3.14 respectively. This is supported by the literature of Michael Hugos, 2011. Who says as stated by chapter two of this paper procurement activities classified in two five parts i.e. procurement/purchasing, consumption management, vendor selection, contract negotiation and contract management.

#### 4.5 Challenges of procurement performance

The study sought to identify the major challenges influencing the performances of IOM procurement and the respondents were requested to indicate their level of agreements on the challenges of procurement performance at IOM. As the objective of the study the factors were classified into two categories i.e. internal and external factors.

#### 4.5.1 Internal factors

Under internal factors organizational structure, requesting/program unit, procurement implementing factors and staff competency and level of professionalism were included.

A. Organizational structure of the IOM is affecting procurement performance of the organization. Under this variable four variables/ sentences were analyzed below

Table 4.3 variables of organizational structure factors

Descriptive Statistics						
	Frequency					Mean
	SD	D	N	A	SA	
Lack of recognition of procurement department in the organization affects the performance of IOM procurement	5.6%	2.8%	8.3%	38.8%	44.4%	4.14
Lack of staff involvement in decision making affects the performance of IOM procurement	2.8%	5.6%	11.1%	44.4%	36.11%	4.06
Noninvolvement's of procurement section during budgeting time affects the performance IOM procurement	5.6%	5.6%	25%	22.2%	41.66%	3.89
Lack of top management support in procurement affects the performance of IOM procurement	5.6%	2.8%		38.9%	52.77%	4.31
The length of time need to be approval of documents from the units of heads affects the performance of IOM procurement	2.8%			39%	58.33%	4.50
N=36						

*Source own survey data, 2019*

The table 4.3, presents lack of recognition of procurement department in the organization affects the performance of IOM procurement (mean= 4.14), lack of staff involvement in decision making affects the performance of IOM procurement (mean= 4.14), noninvolvement's of procurement section during budgeting time affects the performance IOM procurement (mean= 3.89), lack of top management support in procurement affects the performance of IOM procurement (mean= 4.31), the length of time need to be approval of documents from the units of heads affects the performance of IOM procurement (mean= 4.50),

This indicates that, majority of the participants strongly felt that the length of time need to be approval of documents from the units of heads, lack of top management support in procurement, lack of recognition of procurement department in the organization, lack of staff involvement in

decision making, affects the performance of IOM procurement with a great extent mean > 4.10. Whereas noninvolvement's of procurement section during budgeting time is affecting the performance IOM procurement with the moderate level (mean = 3.89).

The above finding concur with the findings of Grace.M and Fridah.S, (2015) who were observed even though organization structure have a positive relationship with the procurement performance its affected by lack of recognition of procurement department in the organization and noninvolvement's of procurement section during budgeting time were the major organization challenging factors affecting the performance of procurement.

**B. Requesting/program unit factors**

Table 4.4 variables of Requesting/program unit factors

<b>Descriptive Statistics</b>						
	Frequency					
	SD	D	N	A	SA	Mean
Coming up with unclear and vague specification affects the performance of IOM procurement	2.8%	2.8%	2.8%	11.1%	80.5%	4.64
Shortage of time given to procure the demanded goods/services affects the performance of IOM procurement	5.6%			16.7%	77.8%	4.61
Estimation of prices lower than the market price/ Allocation of minimum budget affects the performance of IOM procurement		5.6%	5.6%	13.9%	75%	4.58
Raising bulk purchase request at the end of the project period affects the performance of IOM procurement	2.8%			13.9%	83.3%	4.78
N= 36						

*Source own survey data, 2019*

As presented on the above table 4.4, coming up with unclear and vague specification affects the performance of IOM procurement (mean = 4.64), shortage of time given to procure the demanded goods/services affects the performance of IOM procurement (mean = 4.61), estimation of prices lower than the market price/ allocation of minimum budget affects the performance of IOM procurement (mean = 4.58), raising bulk purchase request at the end of the project period affects the performance of IOM procurement (mean = 4.78).

This clearly shows that the whole variables of requesting unit factors specifically, raising bulk purchase request at the end of the project period, coming up with unclear and vague specification, shortage of time given to procure the demanded goods/services and estimation of prices lower than the market price/ allocation of minimum budget strongly affecting the performance of IOM procurement with great extent mean > 4.5.

This finding concurs with finding of Anthony and Agnes, (2014). They affirms that the requesting unit/person were affecting the performance of procurement by not submitting their procurement plan at the set of time boundary and allocation of minimum budget for the requisition without the assessment of actual price of the market. Whereas, the other factors used in this paper were raised by observing the problems in the studied organization.

### C. Procurement implementing factors

Table 4.5 procurement implementing factors variables

Descriptive Statistics						
	Frequency					
	SD	D	N	A	SA	Mean
Lack of comprehensive procurement planning in the unit affects the performance of IOM procurement		5.6%	2.8%	52.8%	38.9%	4.25
Rigid procurement policies and procedures affects the performance of IOM procurement		5.6%	13.9%	58.3%	22.2%	3.97
Lack of long term agreement for frequently requesting items in the unit affects the performance of IOM procurement		5.6%	11.1%	47.22%	36.1%	4.14
N=36						

*Source own survey data, 2019*

Regarding to the procurement implementing factors the participants were asked to show their level of agreement how procurement implementing factors are affecting the performance of IOM procurement or not. As indicated on the above table 4.5, lack of comprehensive procurement planning in the unit affects the performance of IOM procurement (mean = 4.25), rigid procurement policies and procedures affects the performance of IOM procurement (mean = 3.97) and lack of long term agreement for frequently requesting items in the unit affects the performance of IOM procurement(mean = 4.14).

Therefore this indicates that, lack of comprehensive procurement planning in the unit and lack of long term agreement for frequently requesting items in the unit were affecting the performance of IOM procurement with high extent mean > 4.15. While, rigid procurement policies and procedures were affecting the performance of IOM procurement with a moderate level.

This is supported by the findings of Thai (2004) who posit that there cannot be a good procurement budget without a plan, and there can be no procurement without a budget to fund it. Planning is a process that consists of many steps and the bottom line is that planning is not concerned with future decisions but rather with the future impact of decisions made today. Procurement must take a thoroughly professional view of its role in business as a whole and that must include planning (Bailey, P. et.al, 2005). Senait Beyan, et.al, (2016) affirms that procurement procedure have caused delays in decision making and service delivery of procurement activities.

#### D. Staff competency and level of professionalism

In order to evaluate how staff competency and level of professionalism is affecting the procurement performance of IOM. The respondents were asked to indicate their level of agreements on below table 4.6 variables, lack of procurement and related training the procurement staff affects the performance of IOM procurement (mean =3.50), lack of procurement negotiation skills the procurement staff affects the performance of IOM procurement (mean =3.25) and lack of analytical skill of the procurement staff affects the performance of IOM procurement (mean =3.25).

Their answer confirmed that staff competency and level of professionalism is not affecting the performance of IOM procurement by giving mean below 3.50. On the other hand the finding confirms that the staffs that are doing procurement activities in IOM are professionals and this means not affecting the performance of the IOM procurement.

This finding was contrary with the findings of Japheth Ocharo (2013) the study reveals that procurement staff competencies affect procurement performance both for procurement unit and to the whole ministry in other words the study reveals that experienced staffs carry out duties in a professional manner and reduces wastage of resources. Moreover, competent staffs are effective, efficient and provide solutions to the procurement problems while incompetent staff would be

ineffective and inefficient thus contributing to poor performance for the ministry. In addition to this Florence & Richard, (2017), Sylvia and Willy, (2015), Anthony and Agnes, (2014) and Senait Beyan, *et al*, (2016) also affirms that staff competency is the major factor affecting performance of procurement in studied organizations.

Table 4.6 variable of staff competency and level of professionalism factors

Descriptive Statistics						
	Frequency					Mean
	SD	D	N	A	SA	
Lack of procurement and related training the procurement staff affects the performance of IOM procurement	2.8 %	16.7%	30.5%	27.8%	22.2%	3.50
Lack of procurement negotiation skills the procurement staff affects the performance of IOM procurement	2.8 %	25%	27.8%	33.3%	11.1%	3.25
Lack of analytical skill of the procurement staff affects the performance of IOM procurement	5.6 %	19.4%	33.3%	27.8%	13.9%	3.25
N= 36						

*Source own survey data, 2019*

In order to rank from the major to factors to the least in the categories of internal factors its must to present the mean of the whole variables together. As per the below table 4.7 result, organizational structure (mean = 4.18), requesting unit factors (mean = 4.65), procurement unit implementing factors (mean = 4.12) and staff competency & level of professionalism (mean = 3.33).

This means, requesting unit factors, organizational structure and procurement unit implementing factors were the major factors affecting the performance of the IOM procurement with mean > 4.10. Whereas, staff competency & level of professionalism is not affecting the performance of IOM procurement mean < 3.50. The above mentioned studies didn't ranked as there effect in the organizations performance. Therefore, this cannot be present for argument as this is the study own work to indicate the major and the least factor as explained by the objectives of this study.

Table 4.7 internal factors affecting the performance of procurement

Descriptive Statistics						
	Frequency					Mean
	SD	D	N	A	SA	
Organizational structure	2.8%	5.6%	11.2%	36.2%	44%	4.17
Requesting unit factors	2.8%		8.4%	13.9%		4.65
Procurement unit implementing factors			19.5%	50%	60.5%	4.12
Staff competency and level of professionalism	2.8%	13.9%	38.9%	33.3%	11.1%	3.33
N=36						

Source own survey data, 2019

#### 4.5.2 External factors:

The study sought to understand how performance of IOM procurement is being challenged by the external factors with regard to a macro environment factor including market, legal, political, socio economic and information communication technology environment factors. Their outcomes were presented on below accordingly.

- A. How market environment of the country is influencing procurement performance of the organization.

The respondents required to show their level of agreements on the factors of market environment and as presented in below table 4.8, non-reliability & incapacity of local market vendors (mean = 4.25) and the local market of the country (mean = 4.08) and level of competition of the vendors (mean = 4.08).

Their response revealed that majority of respondents agreed on non-reliability & incapacity of local market vendors and the local market of the country were affecting the performance of the IOM procurement with great extent with the mean > 4.00. Whereas, the level of competition of the vendors is affecting the performance of the IOM procurement with moderate level.

Except the first statement of this finding is the others are the same with the finding of Enock Musau, (2015) who affirms that level of competition and local market of the country were the major market environment factors affecting the performance of procurement.

Table 4.8 variables of marketing environment factors

Market environment						
	Frequency					
	SD	D	N	A	SA	Mean
Non reliability and incapacity of local market vendors are affecting the performance of the IOM procurement			2.8%	69.4%	27.8%	4.25
The level of competition of the vendors is affecting the performance of the IOM procurement		16.7%	5.6%	55.6%	22.2%	3.83
The local market of the country is affecting the performance of the IOM procurement		8.3%	2.8%	61.1%	27.8%	4.08
N=36						

Source own survey data, 2019

**B. Legal environment:**

The study pursued to know the legal environment of the country is challenging the procurement performance of IOM or not the below table 4.9, the existing legal procedures of the country is affecting the performance of IOM procurement (mean = 3.08), the import and export regulation of the country is affecting the performance of the IOM procurement (mean = 3.50), procurement and finance regulations of the country affecting the performance of IOM procurement (mean = 3.08).

It clearly shows that, except the import and export regulation of the country other factors of the country's legal environment were not influencing the performance of IOM procurement with the total mean on below 3.10. Different variables were used and study discovered as legal environment of the country is not challenging the performance of IOM procurement which is contrary to finding of Enock Musau, (2015). Enock concludes that, irrespective of the extent of effect of the legal environment on procurement performance, the legal environment affects procurement performance at the County government.

Table 4.9 variables of legal environment factors

Descriptive Statistics						
	Frequency					
	SD	D	N	A	SA	Mean
The existing legal procedures of the country is affecting the performance of IOM procurement	5.6%	25%	33.3%	27.8%	8.3%	3.08
The import and export regulation of the country is affecting the performance of the IOM procurement	2.8%	16.7%	25%	38.9%	16.7%	3.50
Procurement and finance regulations of the country affecting the performance of IOM procurement	8.3%	22.2%	33.3%	25%	11.1%	3.08
N= 36						

Source own survey data, 2019

### C. Political environment

The study pursued to know the Political environment of the country is being challenging the procurement performance of IOM or not the below table 4.10, political un- stability of the country is affecting the performance of IOM procurement (mean = 3.92), political pressures from government side affecting the performance of IOM procurement (mean = 3.42) and compromising of different interest groups affecting the performance of IOM procurement (mean = 3.08).

This means the same as the legal environment for political environment also the respondents gave the same response except political un- stability of the country other factors were not challenging the performance of IOM procurement.

Different variables were used by connecting with the current problems and study discovered as political environment of the country is not challenging the performance of IOM procurement which is contrary to finding of Enock Musau, (2015) his study confirmed that, political environment has an effect on procurement performance at Uasin Gishu County government and political environment a role in determine procurement performance at the County government of Uasin Gishu.

#### 4.10 Variables of political environment factors

Descriptive Statistics						
	Frequency					Mean
	SD	D	N	A	SA	
Political un stability of the country is affecting the performance of IOM procurement	5.6%		8.3%	69.4%	16.7%	3.92
Political pressures from government side affecting the performance of IOM procurement	2.8%	19.4%	25%	38.9%	13.9%	3.42
Compromising of different interest groups affecting the performance of IOM procurement	8.3%	19.4%	38.9%	22.2%	11.1%	3.08
N=36						

*Source own survey data, 2019*

### D. Socio economic environment:

Under socio economic environment the study wanted to discern the socio economic environment of the country is being challenging the procurement performance of IOM or not and the

respondents response as summarized in the below table 4.11, unfavorable economic condition of the country is affecting the performance of IOM procurement (mean = 3.00), lack of hard currency in the country is affecting the performance of IOM procurement (mean = 3.92) and the importation customs clearing process of the country is affecting the performance of IOM procurement (mean = 4.14).

Therefore, this indicates that the majority participants agreed that importation customs clearing process of the country is being challenged in high and lack of hard currency in the country were being challenged the procurement performance of IOM in high extent moderate level respectively. On the other hand, unfavorable economic condition of the country is not challenged the performance of IOM procurement with mean < 3.00.

Different variables were used by connecting with the current problems and study discovered as socio economic environment of the country is not challenging the performance of IOM procurement which is contrary to finding of Thai, (2001) study concerning procurement in the public sector where he was testing the effect of socioeconomic environment on procurement performance among other factors, findings revealed that socioeconomic environment influences the procurement process through government favors for tenders and pressure from environmental activists.

#### 4.11 Variables of socio economic environment factors

Descriptive Statistics						
	Frequency					Mean
	SD	D	N	A	SA	
Unfavorable economic condition of the country is affecting the performance of IOM procurement	16.7 %	16.7%	27.8%	27.8%	11.1%	3.00
Lack of hard currency in the country is affecting the performance of IOM procurement	8.3%	2.8%	11.1%	44.4%	33.3%	3.92
The importation customs clearing process of the country is affecting the performance of IOM procurement	2.8%	5.6%	8.3%	41.7%	41.7%	4.14
N=36						

Source own survey data, 2019

For the seek of ranking the above external independent variables from the major one to the least factor the below table 4.12. As the table shows, market environment (mean= 4.05), legal environment (mean= 3.22), political environment (mean= 3.47) and socio economic environment (mean= 3.7).

It clearly shows and majority of the participants agreed that, only market environment of the country were the major factors challenging the performance of IOM procurement followed by the moderate level of challenge by socio economic environment. Whereas, political and legal environment of the country were least challenging factors the performance of the IOM procurement with the mean < 3.50.

Table 4.12 External factors challenging the procurement performance

<b>Descriptive Statistics</b>	
	Mean
Market environment	4.05
Legal environment	3.22
Political environment	3.47
Socio economic environment	3.68

*Source own survey data, 2019*

#### **4.6 Role of procurement practice at IOM**

The study wanted to know the role of procurement practice at IOM and the respondents also wished to show their level of agreement on the below statement. Their respondent’s response is summarized on below table 4.13.

As presented on the table 4.13, procurement practice at IOM helps to address more beneficiary by minimizing the costs of goods/services (mean=3.69), procurement practice at IOM helps to save the life’s of people by delivering the demanded goods/services at right time(mean=3.75), procurement practice at IOM helps to save the costs of the organization by applying economics of scale/ optimizing the allocated budget with proper lead time of delivery (mean=3.83), procurement practice at IOM helps to develop good relationship and good will with governmental & non-governmental organizations (mean=4.06), procurement practice at IOM helps to get quality goods as per the specification of requesting unit (mean=4.08), procurement practice at IOM allows more flexible operation and better service to customers (mean=3.61), procurement

practice at IOM helps to effectively manage emergency responses in close cooperation with the program units (mean=3.97).

Table 4.13 the role of procurement practice

Role of procurement practices							
	Frequency						Std. Deviation
	SD	D	N	A	SA	Mean	
Procurement practice at IOM helps to address more beneficiary by minimizing the costs of goods/services	2.8%	2.8%	30.6%	50%	13.9%	3.69	.856
Procurement practice at IOM helps to save the life's of people by delivering the demanded goods/services at right time	2.8%	2.8%	30.6%	44.4%	19.4%	3.75	.906
Procurement practice at IOM helps to save the costs of the organization by applying economics of scale/ optimizing the allocated budget with proper lead time of delivery		2.8%	25%	58.3%	13.9%	3.83	.697
Procurement practice at IOM helps to develop good relationship and good will with governmental and non-governmental organizations			13.9%	66.7%	19.4%	4.06	.583
Procurement practice at IOM helps to get quality goods as per the specification of requesting unit		2.8%	5.6%	72.2%	19.4%	4.08	.604
Procurement practice at IOM allows more flexible operation and better service to customers		8.3%	30.6%	52.8%	8.3%	3.61	.766
Procurement practice at IOM helps to effectively manage emergency responses in close cooperation with the program units		2.8%	13.9%	66.7%	16.7%	3.97	.654
N = 36							

Source own survey data, 2019

These result shows that, IOMs procurement practices is helping the organizations with plenty of advantages as majority of respondents agreed that it helps specially to develop good relationship & good will with governmental & non-governmental organizations and to get quality goods as per the specification of requesting unit with mean>4.00. Also procurement practice at IOM helps to effectively manage emergency responses in close cooperation with the program units, to save the costs of the organization by applying economics of scale/ optimizing the allocated budget with

proper lead time of delivery, to save the life's of people by delivering the demanded goods/services at right time, to address more beneficiary by minimizing the costs of goods/services and procurement practice at IOM allows more flexible operation and better service to customers with mean >3.60 which is above moderate level. As stated in chapter two of this study under the topics of role of procurement function, this finding is supported by Lyson, (1992) and Gordon Downie, (2014) by listed role of procurement activities.

#### 4.7 Performance of IOM procurement practices

The study pursued to assess the procurement performance of IOM in terms of three measuring tools i.e. cost, time and quality. Their response is summarized and presented on below accordingly.

Table 4.14 procurement performance measuring tools

<b>Costs of procurement performance measuring tools</b>							
	Frequency						
	SD	D	N	A	SA	Mean	Std. Deviation
The average costs of processing purchase order and procurement of goods/service is low and reasonable		8.3%	13.9%	50%	27.8%	3.97	.878
The average costs of consumption management in IOM is reasonable		2.8%	8.3%	58.3%	30.6%	4.17	.697
The costs incurring for processing of vendor selection is reasonable			5.6%	61.1%	33.3%	4.28	.566
The costs incurring for negotiation of contract is reasonable			16.7%	61.1%	22.2%	4.06	.630
Most of our organizations procurement have an economically positive deviation with respect to official budget planning		2.8%	11.1%	50%	36.1%	4.19	.749
Grand mean = 4.13 and Grand Std. Deviation = 0.56							
<b>Procurement performance measuring tools in terms of time</b>							
	Frequency						
	SD	D	N	A	SA	Mean	Std. Deviation

The time between the requisition and procurement process and delivery is reasonable time		8.3%	5.6%	47.2%	38.9%	4.17	.878
The company delivers its orders to clients/requesting units on timely manner with the standard and conditions		5.6%	8.3%	44.4%	41.7%	4.22	.832
The goods, works or services have been delivered or completed on time		8.3%	5.6%	41.7%	44.4%	4.22	.898
Grand mean = 4.20 and Grand Std. Deviation = 0.81							
<b>Procurement performance measuring tools in terms of quality</b>							
	S D	D	N	A	SA	Mean	Std. Deviation
The company ensures that procured goods and services have the correct value		5.6%	2.8%	50%	41.7%	4.28	.779
Most of the goods/services procured are quality which meets the compliance specification and quality requirements		2.8%	5.6%	63.9%	27.8%	4.17	.655
The goods, works or services meet the technical standards defined in the purchase requisition		13.9%	11.1%	41.7%	33.3%	3.94	1.013
Appropriate actions have been taken for any variations in service delivery		8.3%	5.6%	52.8%	33.3%	4.11	.854
Grand mean = 4.12 and Grand std. Deviation = 0.68							

*Source own survey data, 2019*

As presented on the above table 4.14, most of the participants respond the average costs of processing purchase order and procurement of goods/service is low and reasonable (mean=3.97), the average costs of consumption management in IOM is reasonable (mean=4.17), the costs incurring for processing of vendor selection is reasonable (mean=4.28), the costs incurring for negotiation of contract is reasonable (mean=4.06), most of our organizations procurement have an economically positive deviation with respect to official budget planning (mean=4.19). This shows that, as majority of respondents agreed that except the average costs of processing purchase order and procurement of goods/service is low and reasonable (mean=3.97) the other measuring tools are above mean 4.00. This implies that the performance of IOM procurement in terms of cost its good and appreciable.

Regarding to the time measuring tools, the time between the requisition and procurement process and delivery is reasonable time (mean=4.17), the company delivers its orders to clients/requesting units on timely manner with the standard and conditions (mean=4.22), the goods, works or services have been delivered or completed on time (mean=4.22). As we can understand from the respondents answer the whole requested sentences score mean >4.00. This implies that a procurement performance of IOM in terms of time is good and also appreciable.

As presented on the above table 4.14, the company ensures that procured goods and services have the correct value (mean=4.28), most of the goods/services procured are quality which meets the compliance specification and quality requirements (mean=4.17), the goods, works or services meet the technical standards defined in the purchase requisition (mean=3.98), appropriate actions have been taken for any variations in service delivery (mean=4.11).

Majority of respondents agreed that: the company ensures that procured goods and services have the correct value, most of the goods/services procured are quality which meets the compliance specification and quality requirements and appropriate actions have been taken for any variations in service delivery with mean>4.00. While, the goods, works or services meet the technical standards defined in the purchase requisition (mean=3.98) which is above moderate level. This implies that the procurement performance of IOM is good and appreciable.

Generally, to measure the total procurement performance of IOM in terms of cost, time and quality, the above table is summarized and presented in table 4.14 together: procurement performance tools cost (mean=4.13), time (mean=4.20) and quality cost (mean=4.12).

As majority of respondents agreed that the procurement performance of IOM in terms of time (mean=4.20) were accelerated and then followed by cost and quality with mean=4.13 and mean=4.12 respectively. This implies that the total procurement performance of IOM is very appreciable and good with the total mean>4.00. Supported by Lee Shui, (2017) and Shalle *et al.*, (2014) and Rebecca *et al.*, (2017).

#### **4.8 Determinants of procurement performance**

The study sought to identify the determinant factors of procurement performance in IOM and the respondent requested to show their level of agreements on four factors (procurement planning, supply chain integration, top management support and information communication technology

related to the studies procurement performance measuring tools (cost, time and quality). Their response is summarized as per below table 4.15.

Table 4.15 Determinant factors of procurement performance

	Frequency					Mean	Std. Deviation
	SD	D	N	A	SA		
Procurement Planning		2.8%		41.7%	55.6%	4.50	.64
Supply chain integration		2.8%	2.8%	61.1%	33.3%	4.24	.61
Top management support				52.8%	47.2%	4.46	.48
Information communication technology(ICT)			19.5%	44.5%	36.2%	4.13	.72
N=36							

*Source own survey data, 2019*

As presented on the above table, the respondent agreed that procurement Planning (mean=4.50) supply chain integration (mean=4.24), top management support ((mean=4.46), information communication technology (mean=4.14) can determine the performance of IOM procurement.

Their response implies that all of the above mentioned variables are determining factors for performance of IOM procurement. Besides it, from those four variables top management support and procurement planning are the major determining factors with the mean >4.50 and it's followed by supply chain integration and information communication technology with mean=4.24 and 4.14 respectively

#### **4.9 Correlation analysis of determinant factors and procurement Performance**

“Correlation is the degree of correspondence between variables. This implies the relationship is mutual or reciprocating, but we do not include in our concept of correlation any proposition that one thing is the cause and the other the effect” (B.Burns & R.Burns, 2008).

Table 4.16 interpretation of correlation size

<b>0.90-1.00</b>	<b>Very high correlation</b>	<b>Very strong relationship</b>
<b>0.70-0.90</b>	<b>High correlation</b>	<b>Substantial relationship</b>
<b>0.40-0.70</b>	<b>Moderate correlation</b>	<b>Moderate relationship</b>
<b>0.20-0.040</b>	<b>Low correlation</b>	<b>Weak relationship</b>
<b>0.00-0.20</b>	<b>Slight correlation</b>	<b>Relationship so small as random</b>

Source, R.Burns and B.Burns, 2008

The association among the variables used in the study was examined using the correlation analysis whose results are presented in table 4.17 below. Correlation coefficient is a measure of linear association between two variables. Values of the correlation coefficient are always between -1 and +1. A correlation coefficient of +1 indicates that two variables are perfectly related in a positive linear sense. While, a correlation coefficient of -1 indicates that two variables are perfectly related in a negative linear sense and a correlation coefficient of 0 indicates that there is no linear relationship between the two variables.

Based on the above arguments in order to establish the relationship between determining factors of procurement and procurement performance Pearson correlation coefficient is tested and computed as summarized in table 4.17.

As indicated in table 4.17, procurement planning ( $r=0.506$ ), supply chain integration ( $r=0.728$ ), top management support ( $r=0.672$ ) and information communication technology ( $r=0.585$ ).

This implies that, there was positive relationship between all independent variables and procurement performance. Further to this, there is strong relationship between supply chain integration and top management support with procurement performance  $r=0.728$  and  $r=0.672$  respectively. In addition, the study found that the relationship for both of variables to be statistically significant at 1% level ( $P=0.00$ ,  $<0.001$ ). While, there is a moderate positive relationship between information communication technology and procurement planning with procurement performance  $r=0.585$  and  $r=0.506$  with significant level of  $0.00 <0.001$  and  $0.002 <0.005$  respectively.

And the above discovered result is similar with Grace M and Fridah. S, 2015 and Florence.I & Richard. N., 2017, both of the studies they concluded that information communication technology have a positive relationship with procurement performance at ICRC, Kenya and public procurement respectively.

Further to this study Senait Beyan, *et.al*, (2016) and Anthony.N and Agnes. N, (2014) findings also revealed that procurement planning and top management support have a positive relationship with procurement performance.

Table 4.17 correlation of determinant factors and procurement performance

Correlations						
Independent variables		Procurement planning	Supply chain integration	Top management support	Information communication technology	Total Procurement Performance
Procurement planning	Pearson Correlation	1				
	Sig. (2-tailed)					
Supply chain integration	Pearson Correlation	.634**	1			
	Sig. (2-tailed)	.000				
Top management support	Pearson Correlation	.229	.370*	1		
	Sig. (2-tailed)	.179	.026			
Information communication technology	Pearson Correlation	.191	.408*	.597**	1	
	Sig. (2-tailed)	.264	.014	.000		
Total Procurement Performance	Pearson Correlation	.506**	.728**	.672**	.585**	1
	Sig. (2-tailed)	.002	.000	.000	.000	
N = 36						
**. Correlation is significant at the 0.01 level (2-tailed).						
*. Correlation is significant at the 0.05 level (2-tailed).						

Source own survey data, 2019

#### 4.10 Regression analysis of procurement performance determinant factors and procurement performance

“The technique of regression allows the researcher to make predictions of the likely values of the dependent variable from known values of independent variable in a simple linear regression or multiple linear regression” (R. Burns & B.Burns,2008).

The study conducted a multiple regression analysis to determine the relationship between independent variables and the dependent variable. In this case, the dependent variable was performance of procurement whereas the independent variables were procurement planning, supply chain integration, top management support and information technology.

#### 4.10.1 Coefficient of determination

The coefficient of determination clarifies the extent to which changes in the dependent variable can be explained by the change in the independent variables.

As presented on below table 4.18, the four independent variables that were studied (procurement planning, supply chain integration, top management support and information communication technology), explain 69.9% of the procurement performance as represented by the adjusted R square. Therefore, this means the four independent variables only contribute about 69.9% to the procurement performance at the IOM while other factors not studied in this research contribute 30.1% of the procurement performance at the IOM.

The R square was 0.734, and the adjusted R square was 0.699. Since the Adjusted R square was 0.699, there was evidence that the data used in analyzing the relationship between the independent variables and procurement performance was closely related.

Table 4.18 Coefficient of determination

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.857 <sup>a</sup>	.734	.699	.31360

a. Predictors: (Constant), Information communication technology, procurement planning, Top management support, Supply chain integration

*Source own survey data, 2019*

#### 4.10.2 ANOVA (Analysis of Variance)

Analysis of Variance (ANOVA) was used to establish whether there was difference between the independent variables and procurement performance.

As indicated on below table 4.19, the significance value (p-value) = 0.000 in the study is less than 0.05 and the F calculated from the ANOVA table is 21.345, thus the model is statistically significant in predicting how the independent variables influence the procurement performance in IOM.

Table 4.19 Analysis of variance

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.397	4	2.099	21.345	.000 <sup>b</sup>
	Residual	3.049	31	.098		
	Total	11.445	35			

a. Dependent Variable: Total Performance

b. Predictors: (Constant), Information communication technology, procurement planning, Top management support, Supply chain integration

*Source own survey data, 2019*

**The regression model was as follows:**

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \alpha$$

Where:

Y is the dependent variable (Procurement performance),

$\beta_0$  is the regression coefficient/constant/Y-intercept,

$\beta_1, \beta_2, \beta_3, \beta_4$  are the slopes of the regression equation,

X1 is the Procurement planning

X2 is the supply chain integration,

X3 is the top management support

X4 is the information communication technology while

$\alpha$  is an error term at 95% confidence level.

The regression was:

$$Y = -0.584 + 0.465X_2 + 0.393X_3 + e \ 0.05$$

The regression equation above has established that taking all factors into account (procurement performance as a result of procurement planning, supply chain integration, top management support and information communication technology) constant at zero procurement performance was -0.584.

The findings presented also shows that taking all other independent variables at zero, a unit increase in supply chain integration will lead to a 0.465 increase in procurement performance with a P value=0.001 which is less than 0.005 and there is a positive relationship with significant level, a unit increase in top management support will lead to a 0.393 increase in the scores of

procurement performance with a P value=0.001 which is less than 0.005 and there is a positive relationship with significant level.

Therefore, this implies that the whole four variables have positive relationship with procurement performance the dependent variable. However, supply chain integration and top management support were the major determining factor with P value= 0.001 and 0.002 < 0.005 and information communication technology and procurement planning were the least determining factors with P value = 0.244 and 0.440 > 0.005 level of significant respectively.

This finding concurs with the finding of Jackline and Shitseswa (2017), Rebecca *et al.*, (2017) and Senait Beyan, *et.al*, (2016) they revealed that procurement planning has a positive and insignificant relationship with procurement performance P (0.679) > 0.05, P (0.40) > 0.05 and P (0.183) > 0.05 respectively.

Whereas, this finding is contrary with the findings of Grace.M & Fridah.S, (2015) and Florence & Richard, (2017) as they confirmed that Information communication technology have positive and significant relationship with procurement performance P (0.00) < 0.01. While, the result of ICT concurs with the finding of Duncan Shiundu & Gladys Rotich (2014) and Ephantus Kipkemoi (2018) who discovered as information communication technology have a positive and insignificant relationship with procurement performance P (0.83) > 0.05. Further to them the finding of Anthony and Agnes, (2014) also revealed that top management support and procurement performance have a positive and insignificant relationship with procurement performance P (0.683).

Table 4.20 Regression coefficient table

coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.584	.559		-1.044	.305
Procurement planning	.084	.107	.094	.782	.440
Supply chain integration	.432	.121	.465	3.568	.001
Top management support	.462	.138	.393	3.346	.002
Information communication technology	.113	.095	.143	1.187	.244

a. Dependent Variable: Total Performance

Source own survey data, 2019

## CHAPTER FIVE

### 5. Summery, Conclusion and Recommendation

#### 5.1 Introduction

*This final chapter provides the summary of the findings from chapter four, and it gives the conclusions based on the objectives of the study. The researcher then presents the recommendations for both the research and for the policy and practice.*

#### 5.2 Summary of major findings

Based on the analysis and interpretation of the data obtained from all categories of the respondents the researcher has come up with the following summary of findings:

- ✘ The respondents of all the categories agreed that, all of the procurement major activities are being practiced at IOM. Specifically: vendor selection, procurement/purchasing and contract negotiation are being practiced in great extent, while contract negotiation and consumption management of the organization is weak explained with a moderate mean.
- ✘ Regarding to the challenging factors of procurement performance the following factors were affecting in the organizational structure of the IOM. Such as the length of time need to be approval of documents from the units of heads, lack of top management support in procurement, lack of recognition of procurement department in the organization, lack of staff involvement in decision making and noninvolvement's of procurement section during budgeting time affects the performance of IOM procurement with a great extent. Raising bulk purchase request at the end of the project period, coming up with unclear and vague specification, shortage of time given to procure the demanded goods/services and estimation of prices lower than the market price/ allocation of minimum budget were strongly affecting the performance of IOM procurement coming from the requesting/program unit factors.
- ✘ Procurement unit implementing factors have also their own contribution for challenging the performance of IOM procurement such factors are lack of comprehensive procurement planning in the unit, lack of long term agreement for frequently requesting items in the unit were affecting the performance of IOM procurement with high extent. While, rigid procurement policies and procedures is affecting the performance of IOM procurement

with a moderate level. As the study assured that, staff competency and level of professionalism is not affecting the performance of IOM procurement.

From external factors perspective five variables were tested and the respondents answer also summarized below

- ✘ Majority of respondents agreed on non-reliability and incapacity of local market vendors and the local market of the country were affecting the performance of the IOM procurement with great extent. While, the level of competition of the vendors is affecting the performance of the IOM procurement with moderate level. Regarding to political and legal factors except, political un-stability and the import and export regulation of the country other factors of the country's political and legal environment respectively were not affecting the performance of IOM procurement.
- ✘ Under socio economic environment the importation customs clearing process and lack of hard currency in the country were affecting the procurement performance of IOM in great extent and moderate level respectively.
- ✘ The study affirms that all independent variables were determining factors for performance of IOM procurement. Besides it, from those four variables top management support and procurement planning are the major determining factors followed by supply chain integration and information communication technology. Further to this, in order to establish the relationship between determining factors of procurement and procurement performance Pearson correlation coefficient is tested and computed. Based on this test there was positive relationship between all independent variables (procurement planning, supply chain integration top management support and information communication technology) and procurement performance.
- ✘ In addition to this, the study conducted a multiple regression analysis to determine the relationship between independent variables and the dependent variable. And the test assured that the model was statistically significant in predicting how the independent variables influence the procurement performance in IOM with the significance level of P value= 0.000 <0.005.
- ✘ IOM procurement practices is helping the organizations with plenty of advantages as majority of respondents agreed that specially to develop good relationship and good will

with governmental and non-governmental organizations and to get quality goods as per the specification of requesting unit with very great extent. While, procurement practice at IOM helps to effectively manage emergency responses in close cooperation with the program units, to save the costs of the organization by applying economics of scale/optimizing the allocated budget with proper lead time of delivery, to save the life's of people by delivering the demanded goods/services at right time, to address more beneficiary by minimizing the costs of goods/services and procurement practice at IOM allows more flexible operation and better service to customers with mean of greater than moderate level.

- ✘ Related with the procurement performance of IOM, the study found that, the average costs of processing purchase order and procurement of goods/service, the average costs of consumption management in IOM, the costs incurring for processing of vendor, the costs incurring for negotiation of contract were low and reasonable and most of the organizations procurement have an economically positive deviation with respect to official budget planning from perspective of cost measurement. Regarding to time measurement, the time between the requisition and procurement process and delivery is reasonable time, the company delivers its orders to clients/requesting units on timely manner with the standard and conditions and the goods, works or services have been delivered or completed on time with a great extent. Finally the study ascertain: the company ensures that procured goods and services have the correct value, most of the goods/services procured are quality which meets the compliance specification and quality requirements and appropriate actions have been taken for any variations in service delivery with great extent in categories of quality performance measuring tools.

### **5.3 Conclusions**

Based on the above findings, the study concluded that vendor selection, procurement/purchasing and contract negotiation were the major procurement activities being practiced in IOM.

Factors coming from requesting/program unit, organizational structure and procurement unit implementing factors were the major and staff competency & level of professionalism were the least internal factors which were affecting the performance of the IOM procurement respectively.

On the other hand, market environment of the country is the major external factors affecting the IOM procurement performance. Whereas, socio economic & political environment of the country were the least external factors affecting the performance of IOM procurement.

Supply chain integration & top management support were the major determining factors with significant level  $P < 0.005$  and procurement planning & information communication technology were the least determining factors of procurement performance with insignificant level  $P > 0.005$  respectively. However, all those independent variables have positive relationship with procurement performance.

The procurement performance of IOM in terms of time, cost and quality is very appreciable and good.

Procurement practices at IOM have a role to develop good relationship & good will with governmental & non-governmental organizations and to get quality goods as per the specification of requesting unit.

#### **5.4 Recommendations**

Based on the above conclusions, the following recommendations were made by the study:

The organization should try to give great emphasis for contract management and consumption management of procurement activities in order to develop those practices with great extent as they are the major objective of procurement practices.

In order to avoid the major challenging factors coming from users/requesting units the procurement unit should invest on staff awareness through training should be carried out to achieve superior knowledge in entire procurement process in the organization.

The procurement unit is advised to carry out periodic market surveys to prepare current market price index and to avoid underestimation at the time of purchase requisition so that the information can be shared with pertinent departments in order to help them to prepare procurement plan. Equivalently, the program units need to submit their plan in good time within clear and non-vague specifications of the requested items.

As procurement unit cover 70-80% of the organizations expenditure the senior management of the organization should give recognition and attention to the procurement unit by participating in planning and budget decision stages. Equally the procurement unit needs to have comprehensive procurement plan and long term agreement for frequently requesting items in the organization.

As the supply chain integration is the major determining factors of procurement performance the organization should try to find some sorts of linkage with supply chain partners of the organization with the support of modern information communication technology.

### **5.5 Suggestions for further study**

The research observed four independent variables (procurement planning, supply chain integration, top management support and information communication technology) and one dependent variables or procurement performance (cost, time and quality) which according to the study contribute to 69.9% of the variations in procurement performance at IOM. Further research is recommended to investigate the other factors that affect procurement performance by including other performance measuring tools also. Further research is recommended to ascertain whether these findings would be the same or different in other sectors.

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## Annex: Research questionnaire

ADDIS ABABA UNIVERSITY

SCHOOL OF COMMERCE

DEPARTMENT OF LOGISTICS & SUPPLY CHAIN MANAGEMENT

Dear respondent

This questionnaire is designed to undertake research on the title of **“Factors Affecting Procurement Performance of Organization”** as a partial fulfillment requirement for M.A degree in Logistics & Supply Chain Management. As this study will be purely for academic purpose, your response will be kept confidentially.

Completing the questionnaire will take about very few minutes. Kindly spare a few minutes from your valuable time and busy schedule to complete the questionnaire as your participation is valuable and indispensable for the success of this study.

Finally, I would like to thank you for your concern and patience while responding to the questionnaire.

Don't hastate to contact me any time if you have any enquiry with the following address

Tsegaye Turga

+251941552316

[tsegayeturga@gmail.com](mailto:tsegayeturga@gmail.com)

**Part One: General Information**

A. Gender

Male  Female

B. Age

≤ 20 years  21 –30 years  31-40 years   
 41-50 years  above 50 years

C. Level of education

Up to grade 12  College diploma  Bachelor degree   
 Master’s Degree  PhD

D. Department

Procurement  Logistics  Warehouse and Asset   
 MGMT

E. Years of experience at the organization:

1-3 years  4-6 years  7-9 years  Above 10 years

**Part Two: Research questions**

1. What are the major procurement practices in your organizations? Please indicate your level of agreement on the following sentences by using the Following Rating Scales 1; Strongly Disagree, 2; Disagree, 3; Neutral, 4; Agree and 5; Strongly Agree

Indicators/Statement of procurement practices		1	2	3	4	5.
<b>1.</b>	<b>Purchasing/procurement</b>					
	The company have regular procurement activities in order to support the operation of the organization					
	The company meets the 5’Rs of the procurement objectives during procurement practices					
	The company have its own data base/catalogue for the regularly procuring items					
<b>2.</b>	<b>Consumption management</b>					
	The company have procurement planning based on the past procurement/consumption rate					
	The company usually understands how much of and what categories of goods/services being procured across the entire company					
	The company regularly compare the expected/planned procurement and the actual consumption					
<b>3.</b>	<b>Vendor selection</b>					

	The company uses different types of procurement methods in order to get capable and reliable suppliers					
	The company have its own criteria to select the supplier based on the product categories					
	The company applied ethical and transparent way to select the best offer vendor					
<b>4.</b>	<b>Contract negotiation</b>					
	The company have its own capable vendors lists which are being use for regular procurement					
	The company have different contracts/long term agreements for different goods/services categories					
	The company have been tried to get bargaining power at the time of negotiation					
<b>5.</b>	<b>Contract management</b>					
	The company regularly collect data about the suppliers who have a contract with the organization					
	The company have its own performance measuring criteria to measure the supplier's performance					
	The company have penalty/rewards to the failed and best goods/service providers					

2. What are the critical factors that can challenge the performance of procurement at IOM?  
Please indicate your level of agreement on the following sentences by using the Following Rating Scales. 1; Strongly Disagree, 2; Disagree, 3; Neutral, 4; Agree and 5; Strongly Agree

<b>Indicators/Statement</b>		1	2	3	4	5.
<b>Internal factors affecting procurement performance</b>						
<b>1.</b>	<b>Organization structure</b>					
	Lack of recognition of procurement department in the organization affects the performance of IOM procurement					
	Lack of staff involvement in decision making affects the performance of IOM procurement					
	Noninvolvement's of procurement section during budgeting time affects the performance IOM procurement					
	Lack of top management support in procurement affects the performance of IOM procurement					
	The length of time need to be approval of documents from the units of heads affects the performance of IOM procurement					
<b>2.</b>	<b>Requesting units/program units</b>					
	Coming up with unclear and vague specification affects the performance of IOM procurement					

	Shortage of time given to procure the demanded goods/services affects the performance of IOM procurement					
	Estimation of prices lower than the market price/ Allocation of minimum budget affects the performance of IOM procurement					
	Raising bulk purchase request at the end of the project period affects the performance of IOM procurement					
<b>3.</b>	<b>Procurement unit implementing factors</b>					
	Lack of comprehensive procurement planning in the unit affects the performance of IOM procurement					
	Rigid procurement policies and procedures affects the performance of IOM procurement					
	Lack of long term agreement for frequently requesting items in the unit affects the performance of IOM procurement					
<b>4.</b>	<b>Staff competency and level of professionalism</b>					
	Lack of procurement and related training the procurement staff affects the performance of IOM procurement					
	Lack of procurement negotiation skills the procurement staff affects the performance of IOM procurement					
	Lack of analytical skill of the procurement staff affects the performance of IOM procurement					
<b>External factors affecting procurement performance</b>						
<b>1.</b>	<b>Market environment factors</b>					
	Nonreliability and incapacity of local market vendors are affecting the performance of the IOM procurement					
	The level of competition of the vendors is affecting the performance of the IOM procurement					
	The local market of the country is affecting the performance of the IOM procurement					
<b>2.</b>	<b>Legal environment factors</b>					
	The existing legal procedures of the country is affecting the performance of IOM procurement					
	The import and export regulation of the country is affecting the performance of the IOM procurement					
	Procurement and finance regulations of the country affecting the performance of IOM procurement					
<b>3.</b>	<b>Political environment factors</b>					
	Political un stability of the country is affecting the performance of IOM procurement					
	Political pressures from government side affecting the performance of IOM procurement					

	Compromising of different interest groups affecting the performance of IOM procurement					
<b>4.</b>	<b>Socio Economic environment</b>					
	Unfavorable economic condition of the country is affecting the performance of IOM procurement					
	Lack of hard currency in the country is affecting the performance of IOM procurement					
	The importation customs clearing process of the country is affecting the performance of IOM procurement					

3. What are the major procurement performance determinant factors at IOM? Please indicate your level of agreement on the following sentences by using the Following Rating Scales. 1; Strongly Disagree, 2; Disagree, 3; Neutral, 4; Agree and 5; Strongly Agree

Statement		1	2	3	4	5
<b>Determinants of procurement factor</b>						
<b>1.</b>	<b>Procurement planning</b>					
	Procurement planning helps to reduce the costs of goods/services by planning in proactive manner					
	Procurement planning helps to increases the speed of doing procurement activities					
	Procurement planning helps to increases the quality of goods/services of the procurement					
<b>2.</b>	<b>Supply chain integration</b>					
	Supply chain integration helps to decrease the costs of goods/service in IOM					
	Supply chain integration helps to increases the speed of doing procurement activities					
	Supply chain integration helps to get quality goods/service from the supplier					
<b>3.</b>	<b>Top management support</b>					
	Top management support helps to decrease time required to do procurement of goods/services					
	Top management support helps to decrease the costs of procurement by approving the required procurement documents early					
	Top management helps to increase effectiveness/ productivity, hence improving procurement managements					
<b>4.</b>	<b>Information communication technology /ICT</b>					
	Computerization of procurement activities increases the speed of doing things					

	Procurement software helps to improve procurement by reducing costs of goods/services					
	Procurement software increases effectiveness/ productivity, hence improving procurement managements					

4. What is the role of procurement practice in the Humanitarian relief operation/ performance of IOM? Please indicate your level of agreement on the following sentences by using the Following Rating Scales. 1; Strongly Disagree, 2; Disagree, 3; Neutral, 4; Agree and 5; Strongly Agree

<b>Indicators/Statement Role of procurement practice</b>		1	2	3	4	5
1.	Procurement practice at IOM helps to address more beneficiary by minimizing the costs of goods/services					
2.	Procurement practice at IOM helps to save the life's of people by delivering the demanded goods/services at right time					
3.	Procurement practice at IOM helps to save the costs of the organization by applying economics of scale/ optimizing the allocated budget with proper lead time of delivery					
4.	Procurement practice at IOM helps to develop good relationship and good will with governmental and non-governmental organizations					
5.	Procurement practice at IOM helps to get quality goods as per the specification of requesting unit					
6.	Procurement practice at IOM allows more flexible operation and better service to customers					
7.	Procurement practice at IOM helps to effectively manage emergency responses in close cooperation with the program units					

5. Please indicate your level of agreement on the following sentences by using the Following Rating Scales regarding to the procurement performance measuring tools. 1; Strongly Disagree, 2; Disagree, 3; Neutral, 4; Agree and 5; Strongly Agree

<b>Statement/ performance measuring tools</b>		1	2	3	4	5
<b>1.</b>	<b>Cost</b>					
	The average costs of processing purchase order and procurement of goods/service is low and reasonable					
	The average costs of consumption management in IOM is reasonable					

	The costs incurring for processing of vendor selection is reasonable					
	The costs incurring for negotiation of contract is reasonable					
	Most of our organizations procurement have an economically positive deviation with respect to official <u>budget</u> planning					
<b>2.</b>	<b>Time</b>					
	The time between the requisition and procurement process and delivery is reasonable time					
	The company delivers its orders to clients/requesting units on timely manner with the standard and conditions					
	The goods, works or services have been delivered or completed on time					
<b>3.</b>	<b>Quality</b>					
	The company ensures that procured goods and services have the correct value					
	Most of the goods/services procured are quality which meets the compliance specification and quality requirements					
	The goods, works or services meet the technical standards defined in the purchase requisition					
	Appropriate actions have been taken for any variations in service delivery					

**Thanks for sharing your thought and valuable time**

**Tsegaye**