



Addis Ababa University
School of Commerce
Department of Logistics and Supply Chain Management
Graduate Studies

**The Effect of Supplier Evaluation on Procurement Performance:
The Case of Public Procurement and Property Disposal Service of FDRE**

By
Mohammed Ali

June, 2017
Addis Ababa, Ethiopia

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A thesis submitted to the School of Commerce, Addis Ababa University in partial fulfillment of the requirements for the Master of Arts in Logistics and Supply Chain Management

June, 2017
Addis Ababa, Ethiopia

DECLARATION

I hereby declare that the thesis entitled “The Effect of Supplier Evaluation on Procurement Performance: The Case of Public Procurement and Property Disposal Service” is original and has not been submitted for other degrees or the like in this University College or any other institutes. It does not contain any material, partly or wholly, published or written by others, except those references quoted in the text.

Mohammed Ali

Student Name

Student Signature and date

CERTIFICATION

This to certify that Mohammed Ali has carried out his thesis work on the topic entitled “The Effect of Supplier Evaluation on Procurement Performance: The Case of Public Procurement and Property Disposal Service” under my guidance and supervision. Accordingly, I hereby assure that his work is appropriate and standard enough to be submitted for the award of Master of Arts degree in Logistics and Supply Chain Management.

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This is to certify that the thesis prepared by Mohammed Ali, titled: “The Effect of Supplier Evaluation on Procurement Performance: The Case of Public Procurement and Property Disposal Service” and submitted in partial fulfillment of the requirements for the Master of Arts Degree in Logistics and Supply Chain Management complies with the regulations of the Addis Ababa University College of Commerce and meets the accepted Standards with respect to originality and quality.

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Acronyms

FPPAA	Federal Public Procurement and Property Administration Agency
PPPDS	Public Procurement and Property Disposal Service
SPSS	Statistical Packages for Social Science
MOFEC	Ministry of finance and Economic Cooperation

Abstract

Selection and maintaining competent suppliers is very essential in procurement. However this study was attempted to evaluate the effect of supplier evaluation on procurement performance in PPPDS. To achieve this objective the study was guided by three specific objectives; to evaluate the effect of supplier quality commitment on procurement performance, to examine the effect of supplier financial ability on procurement performance and to evaluate the effect of supplier competence on procurement performance. The study used descriptive research design and Simple random and Purposive sampling techniques were used to pick a sample of 112 respondents from a target population of 182 staff from federal budgetary organizations and PPPDS who were provided with the questionnaires. In collecting the data, open-ended and closed-ended questions were used. The quantitative data generated was analyzed through descriptive, correlation and multiple regression statistical technique using SPSS version 23. The researcher distributed 112 questionnaires and 86 were filled and returned. It shows a response rate of 76.8%. The results of this study indicated that all of the respondents agreed with a large extent that supplier quality commitment, financial ability and supplier competence influence on procurement performance in PPPDS. The independent variables (supplier quality commitment, financial stability and supplier competence) have strong positively correlation with dependent variable (procurement performance) and significantly influence the dependent variable. Which are consistent with similar researches made. The study concluded that supplier quality commitment, financial ability and supplier competence have significant impact on procurement performance. From the findings the following recommendations of the research were made: The organization should take into consideration what evaluation criteria are related to improve procurement performance and capitalize on them like supplier financial capacity, quality commitment and competence of the supplier and evaluating by experts who are knowledgeable and have expertise to conduct the exercise professionally and also train their supplier evaluation committees or procurement experts on how best to evaluate the suppliers.

Key Words: *Supplier Quality Commitment, Supplier Financial Ability and Supplier Competence*

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Supplier evaluation is a significant process for any organization because on average, products that are purchased account for between forty and sixty percent of sales of end products (Chartered Institute of Procurement and Supply). This directly influence the quality and cost of purchased products; a small gain in cost due to supplier evaluation has significant benefits for organizations. Supplier evaluation is one of the activities executed by procurement staff and one whose effective execution determines the success or failure in the procurement performance.

The underlying motive of supplier evaluation is to identify suppliers with the potential to support the buying institution to realize its interests with regard to purchasing. Supplier evaluation is a continuous process for purchasing departments and is a pre-qualification step in the process of purchasing. Supplier evaluation entails appraising several aspects of the supplier, including financials, capacity, organizational processes and structure, quality assurance, and performance either using a questionnaire or site visit (Monczka, Trent & Handfield, 2002).

According to Lysons, (2008) suppliers can be appraised on eight areas, namely: finance, production capacity, human resource, quality, performance, environmental and ethical considerations, and organizational structure. The appraisal criteria is summarized as the 'seven Cs' which represent: competency, capacity, commitment, control systems, cash resources and financial stability, cost commensurate with quality and service and consistency (CIPS, 2012).

Large food and beverage firms in Nairobi City County evaluate their suppliers using financial stability of the supplier, quality issues, price factors, environmental friendliness of the supplier, production capacity of the supplier, employee capabilities of the supplier and preference and reservation (Kamenya, 2014).

Procurement performance is the backbone of an organization success since it contributes to competitive purchase and acquisition of quality goods that puts the organization products or

services in the competitive edge in the market. However, on several occasions, poor procurement performance has caused on public or private sector financial loss due to delivery of poor quality work materials, loss of value for money and inflated prices. Firms consider supplier financial capability, return on assets, the profitability and the relationship between supplier's gross and net profits and turnover of the supplier during supplier evaluation in the organization as a measure to improve the procurement performance (Ndiga and Ismail, 2016). Procurement performance contributes to the overall performance of an organization through cost savings, improved quality and reduced lead times which lead to internal customer satisfaction.

The objective of public procurement is to provide quality goods and services through open and fair competition in the exact quantity and proper quality as specified and has delivered at the time and place where needed. The quality of goods, services, infrastructures, and public services much depend on effective public procurement. In both developed and developing countries public procurement accounts for the highest percentage of Gross Domestic Product (GDP) and takes a major share of budget expenditure of the government (Thai, 2009). When we come to the Ethiopian public procurement, it takes the lion share from the annual government expenditure, which is 14% of the GDP and also it stimulates the economic development of the country by increasing economy, effectiveness and efficiency in the execution of public procurement and it also serves as a government policy tool in terms of supporting or encouraging local producers and as well small and micro-enterprises (Public Procurement and Property Administration Agency (PPA, 2012). Based on this rational, Ethiopia gives more attention to public procurement in the recent years to improve public procurement process in line with achieving national development goal, improving public resource uses, providing efficient service delivery and ensuring good governance (Federal Negarit Gazeta, 2010).

Procurement performance is measured by assessing the value of money of the goods and services procured. The indicators of procurement performance included efficiency in the procurement process measured in terms of the cost of transactions and time. Another indicator was transparency and openness of the procurement system with regards to fairness of participants. The workforce professionalism was also another indicator of procurement performance; a well trained and equipped workforce can enhance the performance of the process of procurement (Ndiga and Ismail, 2016).

However, public procurement performance is influenced by unclear specification, converging evaluation criteria for a few suppliers, discrimination, delivery time, price of supplier goods & service, quality of supplies, tendering process is not effective and favoritism are common in public tender (Wondosen, 2016). All the challenges and factors need attention since they could influence the performance of the procurement function. Due to these reasons the researcher evaluated the effect of supplier evaluation on procurement performance in PPPDS and show the effect of supplier evaluation related with supplier financial ability, quality commitment and supplier competency on procurement performance.

The aim of this research was to evaluate the effect of supplier evaluation on procurement performance in Public Procurement and Property Disposal Service (PPPDS).

1.2 Background of the study Area

In Ethiopia, Public Procurement and Property Disposal Service (PPPDS) was established by the council of Ministers Regulation No. 184/2010 dated July 9, 2010 in order to enable the timely supply of goods and services which are commonly used by public bodies as well as goods and services which have national strategic significance, in the desired quality and at price attributable to economies of scale resulting from bulk purchases (council of Ministers Regulation No. 18/00). To maximize economy and efficiency, promote competition and ensure that competitors are treated fairly, promote the integrity and fairness of those procedures, increase transparency and accountability in those procedures and to increase public confidence in those procedures and facilitate the promotion of local industry and economic development. The body also enables a speedy disposal of unserviceable, obsolete or surplus stores and equipment by public entities to maximize economy and efficiency by sale of property of public bodies at fair price and to assist public enterprises in the procurement of goods and services as well as disposal of assets. PPPDS is accountable to the Ministry of Finance and Economic Cooperation.

1.2 Statement of the Problem

In today's world, both public and private organizations are increasingly relying on suppliers of products and services to fulfill their obligations and meet the needs of their customers. As such, organizations are increasingly becoming under pressure to ensure efficient and cost effective procurement and attract high performer supplier that perform well, ensure quality supply. Thus, supplier evaluation must be done carefully.

According to Hassan, Nabil and Rady (2015) found that from their studies the main objective of supplier evaluation is to minimize the risks and costs of purchasing, manufacturing and distribution processes by finding the best suppliers via measuring their performances in terms of certain indicators. Cost and quality have always been the most popular and commonly accepted performance criteria in supplier evaluation. In recent years, delivery time, strategic behavior and implementation of total quality management have also become criteria of major importance.

Thanaraksakul and Phruksaphanrat (2009) found that from their studies quality, delivery, and cost are the most considered evaluation criteria with percentages over 90. Quality, delivery, cost,

production facility and capability, technical capability and support, and financial criteria are significant basic criteria generally used for last forty years.

Chemjor (2015) found that in his study majority of the organizations considered evaluation based on the quality of the supplier services, financial position of the supplier as well as the flexibility of the supplier during supplier evaluation. Other considerations made were supplier efficiency in service delivery, price/cost charged by the supplier, constitution and the PPOA guidelines, information sharing between the organization and supplier, supplier technical capability, supplier profile, ability of the supplier to share confidential information, experience of the supplier in offering certain services/products as well as compliance with procurement procedures.

According to Barsemoi, Mwangagi and Asienyo (2014), poor procurement performance contributes to decrease in profitability in the private sector hence is a major hindrance to the realization of organizational growth as it leads to delays in delivery, low quality goods and services and increase in defects.

Public Procurement and Property Disposal Service was established as a government institution in 2010. Few studies have done in this organization about the significance of framework agreement, e- procurement and challenges of public procurement performance (Kumala, Abayneh and Ayenachew, 2014 and 2016). Those studies found that there is a lack of efficiency in time use which results in additional cost, waste of time and problems on quality due to specification gap on few items, shortage of foreign currency, performance problems of suppliers, contract management procedure, poor planning and the linking of demand to the budget, delay of finance process, lack of proper knowledge, skills and capacity problem. These studies have also indicated that such poor practices could lead to the delay of procurement activities which has high effect on procurement performance of the organization.

Government demands high procurement performance, efficiency and reduced cost in respect of supply and service, delivery of right quality product and one of the way is supplier evaluation and it is paramount for the public bodies to undertake strongly supplier evaluation and ensuring the right suppliers are awarded contracts. However, no study has been done to evaluate the effect of supplier evaluation on procurement performance of PPPDS. Therefore, the aim of this study was to fill this research gap and try to evaluate the effect of supplier evaluation on procurement performance of PPPDS.

1.3 Research Questions

The study aimed to answer the following research questions.

- How does suppliers' quality commitment influence on procurement performance?
- How does supplier financial ability influence on procurement performance?
- How does supplier competence influence on procurement performance?

1.4 Objectives of the study

1.4.1 General Objective

The general objective of this study was to examine the effect of supplier evaluation on procurement performance of public procurement and property disposal service of FDRE.

1.4.2 Specific Objective

The specific objectives are:

- To evaluate the effect of supplier quality commitment on procurement performance of PPPDS.
- To examine the effect of supplier financial ability on procurement performance of PPPDS.
- To evaluate the effect of supplier competence on procurement performance of PPPDS.

1.5 Research Hypothesis

Several statements of assumption were made in view of the effect of supplier evaluation on procurement performance. In light of the above research objective the following hypotheses (HP) would have been tested under this study.

1. Supplier's quality commitment has no significant effect on procurement performance of PPPDS.
2. Supplier financial ability has no significant effect on procurement performance of PPPDS.
3. Supplier competence has no significant effect on procurement performance of PPPDS.

1.6 Significance of the study

Today's consumers demand cheaper price, high quality products, on-time delivery and excellent after-sale services. So an efficient supplier evaluation needs to be in place and paramount importance for successful procurement activities.

The finding of the study communicates the purchasing professional's for the effect of supplier evaluation on procurement performance. As such, they can develop their skills in supplier evaluation. For the suppliers, it helps them to understand the expectations of their customers by identifying the organization perceptions regarding the strengths and weaknesses of the suppliers.

This study believed that, to help a clear understanding of the effect of supplier evaluation on procurement performance at Public Procurement and Property Disposal Service. Mainly public organization will benefit from it by using the information from the study to work on areas which are important to improve supplier evaluation for the achievement of procurement performance by applying the recommendations. It provides a valuable insight to policy makers and other interested individual information on the effect of supplier evaluation. The student researcher has also will gain the benefits of being acquainted with research skills in the endeavor and will be honored MA degree after successful completion of this study.

Finally the study would encourage other researchers to conduct similar researches on the subject under investigation.

1.7 Scope of the study

Even though there are many variables in supplier evaluation, this study specifically concentrated on financial ability, quality commitment and supplier competence by evaluating its effect on procurement performance in PPPDS. The study conducted at Federal Public Procurement and Property Disposal Service (FPPPDS) and other federal budgetary organizations are included.

There are 140 federal budgetary organizations found in Addis Ababa (MOFEC, Budget Directorate, 2009) due to time constraint 70 organizations selected randomly for the study. The respondents from PPPDS are procurement experts of procurement directorate, experts of contract

administration directorate and Information communication technology directorate experts and other procurement experts of selected federal public organizations are included.

1.8 Limitation of the study

It is obvious that adequate and reliable information is important to undertake any kind of study. However, unwillingness and carelessness of some respondents while filling the questionnaires during data collection was as a major constraint to the study.

Due to constraint of time and budget allocation the study mainly focused at Public Procurement and Property Disposal Service (PPPDS).

In addition, unavailability of enough secondary resources which examine the effect of supplier evaluation on procurement performance is also the limitation. There was a challenge to get respondents especially officers, due to the nature of their work.

1.9 Operational Definitions

Supplier evaluation: refers to the practice of evaluating potential suppliers using quantitative methods to make sure that the best classes of suppliers are made available to supply product and service to an organization, Gordon (2008).

Procurement performance is measured whether assures value for money due to proper process and procedure or increased customer satisfaction.

Financial stability: is a high degree of confidence that continue to meet their contractual obligations without interruption or outside assistance.

: The supplier that is ensuring financially sound and is able to continue in business into the foreseeable future.

Supplier Quality commitment: multidimensional to produce a product and/or deliver a service that meets the customer's expectations to ensure customer satisfaction" (Deming, 1986, P.54).

Supplier competence: It is ascertained whether the supplier has the skills to deliver the goods, works or services required by the buying organization.

: The quality of being competent, adequacy, possession of required skill, knowledge, qualification, or capacity.

<http://www.dictionary.com/browse/competent>. Accessed on 02/15/2017

1.10 Organization of the paper

This thesis attempts to evaluate the effect of supplier evaluation on procurement performance the case of PPPDS. Accordingly, the paper is organized in a way this the current chapter one deals with the introduction of the study, the subsequent chapter two presents the review of the related literature, chapter three presents the methodology, chapter four brings the data analysis, presentation and interpretation and the last chapter, chapter five, deals with the summary of major findings, conclusion and recommendation parts of the study under taken.

CHAPTER TWO

REVIEW OF THE RELATED LITERATURE

2.1. The concept and Nature of Public Procurement

According to the Ethiopian Public Procurement Proclamation (No 649/2009), procurement means "obtaining goods, works, consultancy or other services through purchasing, hiring or obtaining by any other contractual means." From the above definitions, the overall tasks of procurement is to obtain goods, works, consultancy services and other services at the right quality, in the right quantity, from the right sources, at the right time, place and price to achieve an organizational objectives.

Procurement consists of the whole processes of acquiring goods and services and it starts with identification of needs and preparing the procurement plan and the procurement method. It also includes risk assessment, identification and evaluation of alternative solutions, contract award and management, receiving the procured property or obtaining the services and settling of payments (Getnet A., and Tilahun A, 2014). According to Dobler and Burt (1998) procurement can be defined as “the acquisition, whether under formal contract or other wise of goods, services and works from third parties by contracting authority. “

According to the Ethiopian Federal Public Procurement manual (2011) Public procurement is the process of the acquisition, usually by means of a contractual arrangement after public competition, of goods, services, works and other supplies by the public entity. The public procurement process spans the whole life cycle from initial conception and definition of the needs t through to the end of the useful life of an asset or the end of a contract.

Public procurement: It is a process of identifying and obtaining goods and services. It includes sourcing, purchasing and covers all activities from identifying potential suppliers through to delivery from supplier to the users or beneficiary. It is favorable that the goods/services are appropriate and that they are procured at the best possible cost to meet the needs of the purchaser in terms of quality and quantity, time, and location (Mangan, Lawani, and Butcher, 2008).

Public procurement is a process, which the governmental entity hiring or purchasing works, goods and services from other parties (Michael and Juanita, 2006). It includes starting from very small items (for example, stationary, puncher, office furniture, detergent, toner and others) to very complex items (for example aircraft, railway, boiler, transformer and others) and it helps to attain the need of public entity to carry out its duties. (Tony, 2011) states that public procurement is acquisition of works, goods and services by public entities, whether under formal contractor or not and it ranges from the purchase of routine supplies or services to formal tendering and placing contracts for large infrastructural project.

2.2 Principles of Public Procurement

According to Ethiopian public procurement manual 2011, there are a number of principles of public procurement that can be identified that are shared by most public procurement.

- Value for money (economy, efficiency, and effectiveness);
- Non -discrimination (fairness);
- Transparency and
- Accountability and Ethical Standards.

2.2.1 Value for money

- **Economy:** Procurement is a broad concept, which goes beyond purchasing activity, whose purpose is to give the public body best value for money. Value implies right price, right quality, right time, right place, and right quantity. Moreover, lowest initial price may not equate to lowest cost over the operating life of the item procured. But the basic point is the same: the ultimate purpose of sound procurement is to obtain maximum value for money.
- **Efficiency:** The best public procurement is simple and swift, that meets the public body's need as planned, producing positive results immediately. In addition, efficiency implies practicality, especially in terms of compatibility with the administrative resources, organizational capabilities of the purchasing entity and its procurement personnel with the planned/envisaged type and volume of procurements.
- **Effectiveness:** Effectiveness means the extent to which the entity is able to procure goods, works and services of quality, in a timely and most economical manner.

2.2.2 Non -discrimination (fairness)

Good procurement is non-discriminatory, impartial, consistent, and therefore reliable. It offers equal opportunity for all interested contractors, suppliers and consultants by providing a level playing field on which to compete and thereby, directly expands the public body's options and opportunities for getting value for money.

2.2.3 Transparency: Good procurement establishes and then maintains rules and procedures that are accessible, predictable and unambiguous. It should be fair and seen to be fair.

2.2.4 Accountability and Ethical Standards: Good procurement holds its practitioners and other officers responsible for enforcing and obeying the rules. It makes them subject to challenge and to sanction, if appropriate, for neglecting or bending those rules. Accountability is a key inducement to individual and institutional probity, a key deterrent to collusion and corruption, and a key prerequisite for procurement credibility. All procurement officers and other staff should adhere to the professional ethical code.

2.3 Meaning of Procurement Performance

According to Van Weele (2005) 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. Procurement performance is not an end in itself but a means to control and monitor the procurement function. For any organization to change its focus and become more competitive, performance is a key driver to improving quality of services.

According to Richard (2009) procurement performance can be categorizing in terms of financial performance, customer service, social responsibility, employee stewardship and further added that for performance to be realized there must be close cooperation with the relevant players in the supply chain who share common objective of customer satisfaction.

Procurement performance covers a number of quality and quantity-enhancing benchmarks, which narrows down transaction costs, time spent, and the quality and quantity of goods

delivered. Based on their analysis on the performance of public procurement officers, procurement performance entails high returns on investment, reduced transactional costs, faster delivery of services and supplies, delivery of high quality purchases, and streamlined supply chains (Odhiambo & Kamau, 2003).

Procurement performance can be examined through diverse metrics including the time management, cost management, quality of work, value for money, adherence to the procurement law, and avoidance of litigations (Mwangi, 2014). The public procurement takes time through the aspects of advertisement and receipt of tenders, evaluations of these tenders and the capacity of the firms, awarding of tenders and contract signing, dealing with any arising issues, and finally the execution of the scope of the project (Telewa, 2014). The procuring entity should be able to undertake the procuring process in a timely manner in order to enable the undertaking of the scope of the project. Therefore, the lengthier the process in the undertaking of the procurement process the longer it takes for the procuring entity to undertake its functions (Ngotho, 2014).

2.4 Supplier Evaluation

According to Hald and Ellegaard (2011) supplier evaluation as “the process of quantifying the efficiency and effectiveness of supplier action.” This means that supplier evaluation is a process of quantifying the abilities of the supplier and the buying institution conducts evaluation to stimulate the behavior of the supplier. Possible changes in behavior range from implementation of green practices, improving social responsibility, improving quality, improving efficiency to lower costs, among others.

The goal of every enterprise is to utilize limited resources in the most efficient manner so as to realize its objectives with minimal costs. This necessitates the evaluation of suppliers so as to ensure that an institution gets the best contracts in terms of quality, costs, flexibility and reliability. According to Gordon (2008), supplier evaluation refers to the practice of approving and evaluating potential suppliers using quantitative methods to make sure that the best classes of suppliers are made available to supply products and services to an organization.

The underlying motive of supplier evaluation is to identify suppliers with the potential to support the buying institution to realize its interests with regard to purchasing. Supplier evaluation is a

continuous process for purchasing departments and is a pre-qualification step in the process of purchasing. Supplier evaluation entails appraising several aspects of the supplier, including financials, capacity, organizational processes and structure, quality assurance, and performance either using a questionnaire or a site visit (Monczka, Trent & Handfield, 2002).

However, many organizations feel that supplier evaluation does not have much influence on the buying decision since the buying decision is mostly determined by price and politics (Kavale & Mwikali, 2012). Thus, suppliers feel that high scores on the supplier evaluation sheet is more a question of playing games and showmanship than one of dedication to improvement. Effective supplier evaluation is a holistic process and starts with alignment of objectives, data capture and analysis, all the way to communication with suppliers, in a transparent manner.

2.5 Supplier Evaluation Criteria

For instance, supplier evaluation refers to the process by which organizations assess and appraise potential suppliers using quantitative methods, such as through the use of a questionnaire. This process is done to make sure that a best in class portfolio of suppliers is selected for the organization to use. Supplier selection is a stage during the process of procuring for products and services during which the organization(s) choose the preferred and most qualified supplier (s) from the group that has been evaluated and deemed to meet the requirements in the evaluation process Gordon (2008).

The ability to analyze both the quantitative and qualitative criteria the organization is able to arrive at a robust decision. Supplier evaluation is often complicated by the fact that multiple criteria, such as price, quality, flexibility, delivery, and service, must be considered in the decision-making process (Hirakubo and Kublin, 1998).

Supplier evaluation is a management activity whose primary aim is acquiring information to analyze and to manage supplier relationships and supply situations (Li et al., 2006). The process entails the simultaneous consideration of a number of critical supplier performance features that include price, delivery lead-times, and quality. The importance of supplier evaluation is evident from its impact on firm performance and more specifically on final product attributes such as cost, design, manufacturability, quality, and so forth (Sarkis & Talluri, 2002). Supplier evaluation to be an objective and transparent process, it needs to be conducted using set criteria

so as to ensure standardization in the evaluation. The development of appropriate criteria that captures the interests of the buyer is one of the indicators of procurement performance (Nair, Jayaram & Das, 2015).

Traditionally, supplier evaluation criteria has been pegged on only three factors namely cost/price, quality and delivery. Relatively recent developments in supplier selection advocate the use of multiple criteria models in supplier evaluation (Murigi, 2014). Some of the supplier evaluation criteria include financial ability, quality, production facilities, environmental issues, suppliers organizational culture, cost factors production capacity and employee capabilities among others (Lysons & Farrington, 2006).

Due to the high costs involved in the evaluation processes, Kamenya (2014) suggests that criteria should be used in the following situations: purchase of strategic high profit, high risk items, where potential suppliers do not hold accreditation, purchase of non-standard items, expenditure on capital items, global sourcing, outsourcing, placing of construction and similar contracts, among others. The evaluation criteria are explained as follows:

2.5.1 Financial Ability

According to Awino (2002) the financial status of the supplier can be analyzed by getting the information about the annual turnover of the Supplier and their financial structure based on the past history. The economic status of the supplier's country may affect the currency exchange rate, local price control and so forth. This can result in higher hidden costs for international sourcing and into during the supplier selection. A good supplier should have a good financial base so that in case of delayed payments, supply is not hindered.

Supplier's financial condition need to be evaluated at the earliest stages of supplier appraisal. Some purchasers view the processes as a pre-screening exercise that a supplier must pass before a detailed evaluation process can begin (Handfield et. al., 2008). According to the Chartered Institute of Purchasing and Supplies (2012) financial status and stability are measured by factors such as profitability, cash flows management, assets owned, debts owed among other factors.

The financial criterion is important since selection of a supplier with poor financial conditions presents a number of dangers to the purchaser. Then suppliers with poor financial health will not have resources to invest in plant, equipment, or research necessary for long-term performance

improvements. Thirdly, the supplier may become so financially dependent on purchaser. Lastly, financial weakness seems to be an indication of underlying problems (Handfield et al., 2008).

The financial stability will equally reflect on the ability of suppliers to meet the current contract with the purchaser and to ensure a secure future flow of supplies. The financial records may also indicate the risk of delivery or quality problems and more disruptions to supply and more complex legal issues if a supplier becomes insolvent. A supplier that is financially unstable poses three nightmares to the buyer. A buyer may need to insist on quality but the supplier is forced to cut on costs; a buyer may have a claim against the supplier but he may not have sufficient working capital; to meet it and a buyer may wish to insist on speed delivery but supplier cannot pay overtime (Lysons, 2008).

According to Public procurement manual 2011, Financial Capability and Status of Suppliers, Contractors and Consultants shall show that they are not:-

- insolvent, e.g. the person or firm is not financially capable to perform the contract for which they are Bidding;
- in receivership, e.g. the firm was in serious financial difficulties and a court had, at the request of creditors, stopped the firm from managing itself and had placed an independent accountant in charge of the company's business operations;
- bankrupt or in the process of being wound up, e.g. the person or firm's financial situation is that they have more debts than income and can no longer function;
- suspended from undertaking their business for financial reasons;

2.5.2 Supplier Quality commitment

The British Standards definition of quality is “the totality of features and characteristics of a product of a product or service that bear on its ability to satisfy given need” (CIPS, 2012). A buyer needs to assess and ensure that a supplier has robust systems and procedures in place for monitoring and managing its outputs. The systems for the detection and correction of defects are called quality control while those for prevention of defects are known as quality assurance and a buyer needs to check whether the supplier has these in place (Lysons et al., 2008).

According to Handfield et al., (2008) an important part of evaluation processes touches on a supplier's quality management systems and philosophy. According to Lysons et al., (2008) firms appraising quality of suppliers will find themselves looking at the following issues: procedures

for inspection and testing of purchased materials, accreditation with national and international quality standards bodies such company standards, Association of Trade Standards, International standards organization (ISO) and British Standards Institution (BSI) (Lysons 2008). The success of the buying organization is highly dependent on how well the suppliers perform. It is also important that the supplier and the buyer have the same idea of what satisfactory quality is (Gallego, 2011).

According to Laura Vírveda Gallego (2011) quality can be considered the most important criteria followed by cost, performance delivery and service. Deming defined quality as “multidimensional to produce a product and/or deliver a service that meets the customer’s expectations to ensure customer satisfaction” (Deming, 1986, P.54). Juran defined quality based on a multiple meaning, namely (1) “Quality consists of those product features which meet the needs of customers and thereby provide product satisfaction,” and (2) quality is apparently associated with customers’ requirements, and fitness suggests conformance to measurable product characteristics” (Juran, 1988, P.22).

Supplier evaluation practices established that supplier performance measurement, supplier audits, supplier development and supplier integration are the most used supplier quality management practices. From supplier quality management, an organization may enjoy among other benefits reduced lead times, increased responsiveness to customers’, orders and enquiries, customer loyalty, increased profitability, reduced opportunity cost from lost sales and effective communication between the organization suppliers as well as customers and also suppliers should maintain reliable records so as to avoid the problem of poor visibility and traceability and that the organizations must build into their systems quality measures and continuous inspections so that disappointments of customers through discontinuous supply or supply of poor quality products (Kitheka, 2013).

Quality assessment is a key factor of suppliers by which they can improve and maintain quality and delivery performance. Quality and availability of product depends on this criterion. This factor has been measured on the basis of the importance of the following quality dimensions: management commitment, product development of suppliers, and process improvement of suppliers, quality planning and quality assurance in supply chain, quality assessment in production, inspection and experimentation and quality staff of supplier (Beamon, 1999).

2.5.3 Supplier Competence

The main concern of procurement function is to make sure that one buys from the best suppliers and also improve the current suppliers. The organizations therefore choose suppliers with who have the capacity to deliver. The study further observed that supplier evaluation can work as a tool to influence future behavior of both buyer and supplier organization. By connecting procurement targets to certain supplier competence, organizations achieve higher supplier performance thereby leading to improved procurement performance (Kirande & Rotich, 2014).

The performance history of the supplier should be analyzed carefully keeping in mind the competitive nature of the supplier, its past production schedule, response to market, and its ability to make commercial relations and business references. It is easy to get a profile of ageing supplier easier than new suppliers. Research shows that, old suppliers are more experienced and more stable in business (Kibe, 2000). The ease of communication and negotiability with the suppliers decide the long-term relation between the supplier and manufacturer. Since languages, business customs, ethics and communication devices vary from Country to country, good suppliers should be best communicators; good message in good time. After the prequalification of suppliers' based on supplier competence, public institutions expect a lot from their suppliers because they are confident that they have filtered their suppliers on very efficient basis but still they are uncertain about the quality of the items to be delivered, on time delivery, commitment to quality, technology leverage, and overall performance of suppliers (Masceko, 2013).

2.6 Empirical Review

There have been several studies which have been conducted on effects of supplier evaluation on procurement performance in Africa and other parts of the world.

2.6.1 Supplier Financial Ability and Procurement Performance

A study conducted by Mutai & Okello (2015) on the Effects of Supplier Evaluation on Procurement Performance of Public Universities in Kenya found that, supplier's financial ability has significant effect on procurement performance of public universities. Suppliers' financial ability directly influences their ability to supply what the organization needs. However, the effect would be significant for organizations that deal with physical products. A study done by Wainoi

and Shalle (2016) Role of supplier evaluation on procurement performance in state corporation in Kenya: a case of geothermal development company, found that a large percentage of 72.3 were of the opinion that supplier finances was considered during supplier evaluation in the organization as a measure to improve the procurement performance. Suppliers' finance factors which included suppliers' turnover, profitability, supplier's technical capability and suppliers return on assets ratios and suppliers' gross margin and net margin ratios as playing a role on procurement performance to a great extent as indicated by the high levels of agreement from the respondents.

According to Pamela (2013) in her study on the determinants of supplier selection and evaluation in Pakistan Telecom industry, supplier financial capacity expertise is one of the key factors which determine the eventual performance of both the supplier and procurement performance, the study depicted high correlation between the financial capacity of supplier and ability of supplier to deliver which in turn enhances procurement performance indicating a need for a strategic alliances for improved performance of the parties.

A study done by Oyando (2014) on Factors That Affect Performance of Procurement Department revealed that the financial stability of the supplier affects county government supplies to a great extent, is essential that procurement officers get to assess the financial stability of the supplier firm any tender is awarded, the study also found that Firm must find a low-cost supply base where it can minimize manufacturing cost related to the production of the Product, the key objective of financial appraisal in the procurement process is to analyze a supplier's financial position and determine the level of risk that it would present to the client having regard to the contract requirements, Appraising the financial stability of suppliers provides information that enables sound decisions to be made either when sourcing suppliers or when evaluating tenders, a firm always requires the minimum price of the product to increase the profitability and consequently be financially stable and that cost management brings a lot of business to suppliers who offer least cost, holding other factors constant. The study further established that a financial analysis allowed for an assessment of the budgetary impact of projects by looking at the pattern of project related cash flows.

2.6.2 Suppliers' Quality Commitment and Procurement Performance

A study conducted by Mutai & Okello (2015) on the Effects of Supplier Evaluation on Procurement Performance of Public Universities in Kenya found that, Supplier quality commitment has significant effect on procurement performance. Suppliers' level of quality commitment directly determines the level of quality in products and services obtained through procurement activities; product quality is just an aspect of procurement performance. In overall, achievement of product quality affects procurement performance.

A study conducted by Rajab and Muchelule (2016) on the Effect of Supplier Responsiveness on Procurement Performance In County Governments, Kenya established that supply chain responsiveness plays a key role in increasing purchasing performance. There is therefore need for county government to source for supplier who respond in time and supply product within the given time. Moreover, suppliers need take responsibility of any complication that occurs during the procurement process. A study conducted by Kitheka (2013) on the Effect of Supplier Quality Management on Organizational Performance found that the effect of supplier quality commitment is significant for organizations with documented strategies of supplier evaluation. He pointed out that from supplier quality management, an organization may enjoy among other benefits reduced lead times, increased responsiveness to customers, orders and enquiries, customer loyalty, increased profitability, reduced opportunity cost from lost sales and effective communication between the organization suppliers as well as customers. A study done by Oyando (2014) on Factors That Affect Performance of Procurement Department revealed that quality management affects county government supplies to a great extent, the study also established that maintaining best practices, suppliers can dramatically improve their supplier quality and achieve their own business. Profitability is virtually guaranteed if quality is present, Quality assessment is a key factor of suppliers by which they can improve and maintain quality and delivery performance, if a product fulfills a customer expectation, the customer will be pleased and consider that product as of acceptable or even of high quality, It is also vital to establish which of the supplier knows about and is ready to implement the concept of total quality management, Suppliers' need competent technical ability to provide high quality product or service, ensure future improvements in performance and promote successful development

efforts, and that for suppliers(firms) should require assessed on quality aspects before included in the approved list

2.6.3 Supplier Competence and Procurement Performance

A study conducted by Mutai & Okello (2015) on the Effects of Supplier Evaluation on Procurement Performance of Public Universities in Kenya found that, supplier competence has significant effect on procurement performance of public universities campuses in Kericho County. Supplier competence determines the understanding and satisfaction of buyer's needs that directly enhances meeting such needs. A study done by Kamenya (2014) on the relationship between supplier evaluation and performance in large food and beverage manufacturing firms in Nairobi revealed that there is a positive relationship between performance and supplier evaluation criteria. The study illustrated that organizations need to consider the environmental friendliness of the supplier, employee capabilities of the supplier and price factors which are significantly influencing performance of the procurement. Other factors including financial stability, quality issues, and supplier's organizational culture, production capacity of the supplier and preference and reservation were found to have no significant effect on performance.

A study by Kirande & Rotich (2014) on the determinants of public procurement performance in Kenyan Universities established that the main concern of procurement function is to make sure that one buys from the best suppliers and also improve the current suppliers. The organizations therefore choose suppliers with who have the capacity to deliver. The study further observed that supplier evaluation can work as a tool to influence future behavior of both buyer and supplier organization. By connecting procurement targets to certain supplier competence, organizations achieve higher supplier performance thereby leading to improved procurement performance.

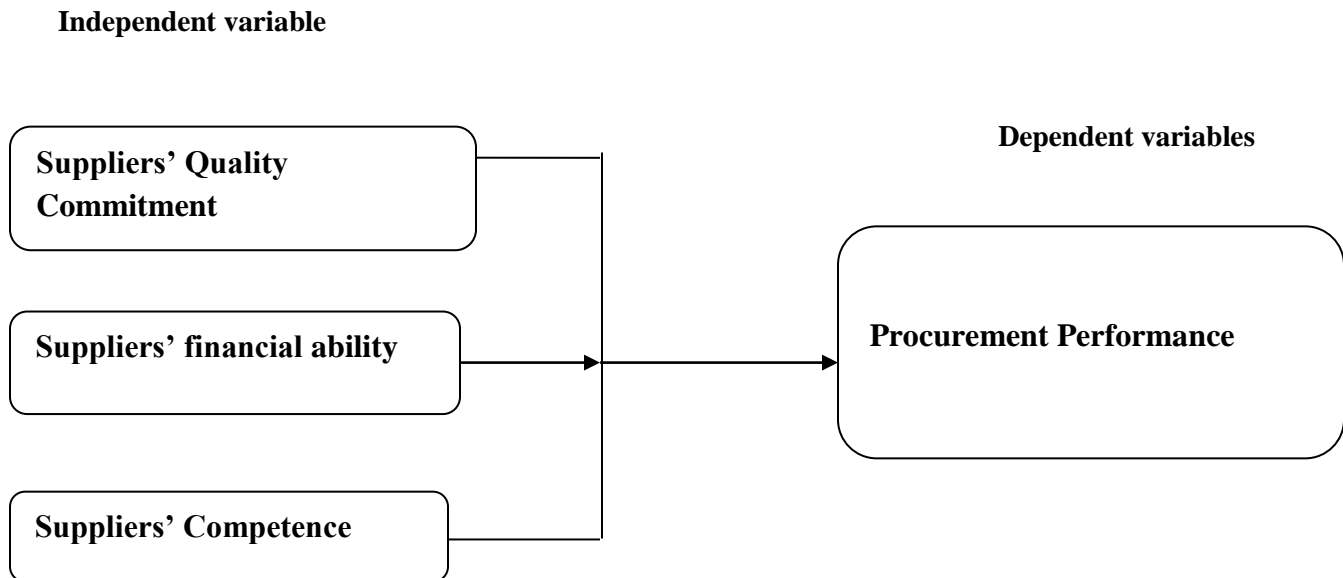
A study done by Murigi (2014) on the influence of Supplier Appraisal on Procurement Performance in the Real Estate Industry in Kenya, established that different supplier evaluation criteria are given different importance when selecting potential suppliers with financial stability, technical competence and quality control and management seen as major criteria in selecting suppliers. The study established that site visits and /or use of reference checks are the most common ways of appraising suppliers and their performance. The study revealed that supplier audits, incentives and awards improve supplier performance especially on quality management. The study also found that supplier training programs enables procurement to work

collaboratively with suppliers to reduce costs and improve services. Thus the study revealed that that supplier assessment and development improves efficiency and effectiveness in the procurement process. The study also established that supplier assessment and development has a great influence on procurement performance.

2.7 Conceptual Framework

A conceptual framework assists to simplify the proposed relationships between the dependent variable and the independent variables in a study and allows the same to be depicted diagrammatically. The conceptual framework explains the relationship between independent and dependent variables in the study. In this study Procurement performance is the dependent variable since its success depends on individual outcomes of supplier evaluation which is the independent variables: suppliers' quality commitment, financial ability and suppliers' competence. The success of supplier evaluation effects on procurement performance i.e higher quality supplies with lower cost, reduced risk of Supplier failure and customer satisfaction as shown in Figure 2.1.

Figure 2. 1 Conceptual Framework



Source: Adapted from (Mutai & Okello, 2015)

2.8 Summary of the Review

The above chapter reviews the various studies relating to supplier evaluation and procurement performance that inform the independent and dependent variables. The chapter also explores the conceptualization of the independent and the dependent variables by analyzing the relationships between the variables. In addition, empirical literatures in a wide range of studies have considered. A Research by Mutai & Okello (2015) on the Effects of Supplier Evaluation on Procurement Performance of Public Universities in Kenya found that supplier's financial ability, Supplier quality commitment and Supplier competence are significant effect on procurement performance of public universities campuses in Kericho County. A study done by Murigi (2014) on the influence of Supplier Appraisal on Procurement Performance in the Real Estate Industry in Kenya, established that different supplier evaluation criteria are given different importance when selecting potential suppliers with financial stability, technical competence and quality control and management seen as major criteria in selecting suppliers. A study done by Wainoi and Shalle (2016) Role of supplier evaluation on procurement performance in state corporation in kenya: a case of geothermal development company, found that a large percentage of 72.3 were of the opinion that supplier finances was considered during supplier evaluation in the organization as a measure to improve the procurement performance. Suppliers' finance factors which included suppliers' turnover, profitability, supplier's technical capability and suppliers return on assets ratios and suppliers' gross margin and net margin ratios as playing a role on procurement performance to a great extent as indicated by the high levels of agreement from the respondents.

2.9 Conclusion of the Review

The purpose of this review was to view the trends in composition studies within the past years and to help the reader understand different aspects posed by the research on the effect of supplier evaluation on procurement performance. This is significant because many organizations have a different approach to the effect of supplier evaluation and procurement performance. There has been much research and discussion conducted on supplier evaluation and procurement performance. Most of the research found that supplier's financial ability, supplier quality commitment and supplier competences are significantly influence on procurement performance of many organization. More research and testing are required to gain a better understanding of why those factors influencing the procurement performance. It is important to conduct more study on the results and the reasons they effect on organizational procurement performance.

CHAPTER THREE

METHODOLOGY OF THE STUDY

This section outlines the overall research approach that would have been used in this research, including the research methodology and the sources of data to be used. It also outlines the methods to be employed in data collection and how the data would have been analyzed, interpreted and then presented. Research methodology refers to the processes used in gathering data and information for the purpose of fulfilling research objectives.

3.1 Research Approach

There are two basic approaches to research, quantitative approach and the qualitative approach (Kothari, 2004). The quantitative approach involves the generation of data in quantitative form which can be subjected to rigorous quantitative analysis in a formal and rigid fashion. Qualitative approach to research is concerned with subjective assessment of attitudes, opinions and behavior (Kothari, 2004). The study would have been used and collected both quantitative and qualitative data to evaluate the effect of supplier evaluation on procurement performance in the case of PPPDS. The advantage of using mixed approach is that it enables to triangulate and support the data and result collected by questionnaire (Greener, 2008 and Saunders et.al, 2007). The quantitative data would have been a self-developed closed ended and open-ended questionnaire contained items of 5-point Likert type (1- Very Low Extent to 5- Very Great Extent).

The qualitative data in the study was used to triangulate the quantitative data in describing the effect of supplier evaluation in more depth by using open -ended questions.

3.2. Research Design

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure (Kothari, 2004). In order to undertake this study a descriptive research design was used to evaluate the effect of supplier evaluation on procurement performance.

Descriptive research is aimed simply at describing phenomena and is not particularly concerned with understanding why behavior is the way it is (Adams & et al (2007, pp 21). Besides, as per Malhotra and Peterson (2006, pp76) descriptive research assumes that the researcher has prior knowledge about the problem situation. Descriptive study according to (Oppong 2013) is to gather information about the present existing condition with the aim of obtaining an accurate profile of the people, events or situations.

The purpose of this study was to evaluate the effect of supplier evaluation on procurement performance through this research design and fact finding to describe the effect and documented the findings. In other word people who have practical experience of the problem to be study.

3.3 Target population

The population for this research was 182 (i.e 42 employees from Public procurement and property disposal service staffs of procurement directorate, Information communication Technology directorate, contract administration directorate and respective line manager and 140 federal budgetary organizations that are found in Addis Ababa.)

3.4 Sample Design

A sample design is a definite plan for obtaining a sample from a given population. It refers to the technique or the procedure the researcher would adopt in selecting items for the sample(Kothari, 2004).The sample design for this study as follows:-

3.4.1 Sampling Frame

The sample frame of this study was three departments from PPPDS (i.e. procurement directorate and contract administration directorate and Information Technology directorate) and the procurement/purchasing department of randomly selected organizations were included in the sampling frame of the study.

3.4.2 Sampling Unit

The researcher will have to decide one or more of sampling that he has to select for his study (Kothari, 2004).The sampling unit of this study was managers and staffs who are working on

procurement and related activities in PPPDS and randomly selected federal budgetary organizations.

3.4.3 Sampling Technique

The study would have been employed both simple random sampling and Purposive sampling techniques. Simple random sampling techniques would have been used for the selection of respondents from 128 federal budgetary organizations which is found in Addis Ababa. Purposive sampling technique also used for staff members of procurement experts, ICT experts and contract administration experts in PPPDS those who have direct relation with supplier evaluation and procurement activities. The reason behind selecting this technique was the researcher gotten better chance whom to include as a respondent, it allows for direct contact with respondents without delays on gathering data.

3.4.4 Sample Size

There are numerous formulas to determine the sample size of study. For the purpose of this study, the formula set by (Kothari, 2004), would have been used.

Therefore, Federal Public Procurement and Property Disposal Service procurement experts are selected purposively and federal budgetary organizations which are found only in Addis Ababa are the population, the sample size would have been:

$$n = \frac{z^2 \cdot p \cdot q \cdot N}{e^2 (N - 1) + z^2 \cdot p \cdot q}$$

Where,

p = proportion of success = 75%

q = proportion of fail = 25%

z = confidence level = 1.96

e = standard error = 5%

N= Total population = 182

n = sample size,

Therefore the sample calculated:
$$n = \frac{1.96^2(0.75)(0.25)*182}{0.05^2(182-1)+1.96^2*(0.75)(0.25)}$$

n= 112 respondents

Therefore, the sample size of the study was 112 respondents. From the total sample size federal budgetary organizations was calculated 70 sample size after reduction of 42 PPPDS respondents. So the researcher believed that one representative is enough for one organization from federal budgetary organizations which is found only in Addis Ababa and the respondents were directly related with procurement activities. Such kind of sample size calculation method was used by other researcher (Ayenachew, 2016) in Ethiopian Civil Service University.

Table 3. 1 Distribution of sample population

Sampling frame	Number of population	Sample size	Sampling Techniques
Federal budgetary organizations	140	70	simple random sampling
PPPDS procurement, contract and ICT expert	42	42	Purposive sampling
Total	182	112	

According to Patrick, B. (2003) the return or success rate 50% is ‘adequate’; 60% response rate is ‘good’ and 70% rate or higher is ‘very good’. The researcher used for this study 75% response rate and remaining 25% non-response rate and sample size was determined at 95% confidence level and margins of error at 5%.

3.5 Sources of Data

There are two types of data, namely primary and secondary data. Researcher might use either both or one of the types of data depends on the research type and data collect by researcher (Saunders et.al, 2007). For this research, the researcher was used both primary and secondary data.

3.5.1 Primary data sources

For this research purpose primary data was collected through standardize questionnaire. Primary data are originated by a researcher for the specific purpose of addressing the problem at hand (Malhotra and Birks, 2006).

3.5.2 Secondary data sources

For secondary data previous studies, books, journals, manuals and reports related to supplier evaluation and procurement performance was used. Those data were served as a reference and guide.

3.6 Methods of Data collection

As mentioned previously data was collected from primary and secondary sources. The primary data was collected by using open and closed ended questionnaires by distributing randomly or purposively selected procurement staffs of federal organizations and staff members of procurement experts, ICT experts and contract administration experts in PPPDS those who have direct relation with supplier evaluation and procurement activities. The researcher was used secondary sources as a reference and guide include previous studies, books, journals, manuals and reports.

3.7 Data analysis and presentation

Since the data collection was qualitative and quantitative form, the study adopted both qualitative and quantitative methods of data analysis. Qualitative data was analyzed in the form of narration.

Quantitative data was obtained through the questionnaires analyzed by using SPSS software version 23 in descriptive statistics such as percent and mean were used to describe the effect of supplier evaluation. The data was presented by using statistical tools like tables, figures and histogram along with sufficient interpretations. Correlation analysis was used to test the correlation between individual indicators of supplier evaluation and procurement performance while regression analysis was conducted to determine the overall effect of supplier evaluation on procurement performance of PPPDS.

ANOVA test also conducted to test the statistical significance of the overall effect of supplier evaluation on procurement performance based on the following multiple regression model;

The model took this formula (Ho, 2006):

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where; Y – Procurement Performance

β_0 - Constant

β_1 and β_2 - Regression coefficients

X1- Supplier Quality Commitment

X2 - Supplier's Financial Stability

X3- Supplier Competence

ε - Error term

3.8 Ethical Consideration

Each discipline will have its own ethical guidelines regarding the treatment of human research participants (Vanderstop and Johnston, 2009). Research ethics deal with how to treat those who participate in the studies and how to handle the data after collection. In order to secure the consent to the study, the researcher was clearly communicate the purpose and aim of the study and all information obtained from the respondents are treated with confidentiality without disclosure of the respondents' identity. Moreover, no information was modified or changed, hence the information was presented as collected and all the literatures that collected for the purpose of this study are acknowledged in the reference list.

3.9. Reliability and validity test

The questionnaire which was self-administered and the only sources of primary information for this study. The respondents were provided an essential contribution to the study.

In addition to insure the validity of the study, the researcher received comment from the advisor and other expertise on the questionnaire and overall research methodology. Furthermore, pilot taste has been made by distribute small questionnaire for PPPDS's respondents. The major objective of the pilot taste was to get feedback on the questionnaire way of preparation, wording,

coherence and any other valuable comment and to incorporate any important comments and finalize the questionnaire. Reliability refers to the extent to which your data collection techniques or analysis procedures will yield consistent findings (Saunders et al., 2007). Dunn (2001) also defines reliability as a measure's stability or consistency across time. The data reliability test is measured by using Cronbach's Alpha. Cronbach's Alpha was also calculated as part of the reliability test to assess how valid the results were and should produce similar generalized results if the sample size were increase (Field, 2006). The Alpha value is ranges from a maximum of 1.0 for a perfect score to minimum of zero, good measure of the alpha should be 0.70 or higher (Neuman, 2007). According to William and Barry (2010) scales exhibiting a coefficient alpha between 0.80 and 0.96 are considered to have very good reliability, between 0.70 and 0.80 are considered to have good reliability, and alpha value between 0.60 and 0.70 indicates fair reliability and when the coefficient alpha is below 0.60, the scale has poor reliability.

Statistical validity also used to measure the validity of the research though use of correct statistical procedure and instruments (Neuman, 2007). To insure the statistical validity of the study, the researcher was collected quantitative data using survey questioner and analyzed the data using correct statistical instruments like descriptive statistics, inferential statistics, correlation analysis and regression analysis to see the relationship of the variable and reach concrete conclusion.

Accordingly, the Cronbach's Alpha values of the survey indicate good reliability and the result are presented in table3.2 below.

Table 3. 2 Cronbach Alpha value

S. No	Variables	Cronbach's Alpha Value	Number of Items	Result
1.	Suppliers' quality commitment	.805	7	Accepted
2.	Supplier financial ability	.861	8	Accepted
3.	Supplier competence	.796	9	Accepted
4.	Procurement Performance	.746	3	Accepted

Source: Survey Data (2017)

From table 3.2, the cronbach's alpha of; 0.805, 0.861, 0.796 and 0.746 for Quality Commitment, Financial ability, Supplier Competence and Procurement Performance were above the threshold value of 0.7. Therefore it was concluded that the research instruments were reliable and hence could be used in the study.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

The purpose of this research was to evaluate the effect of supplier evaluation on procurement performance in PPPDS. In this regard, this chapter presents the results and findings of the study as collected from the sample population. The data have been presented by tabulation and some figures. Coded responses were entered into Statistical Package for the Social Sciences (SPSS) version 23 for data analysis.

In this study descriptive statistic were used to analyze the data. The descriptive statistics utilized in this research are used to analyze the demographic data and independent variables of the study that included percentages and mean. Inferential analysis is concerned with the various test of significance for normality, autocorrelation and multicollinearity in order to determine what validity data can be said to indicate some conclusion(s). Finally correlation and regression analysis were performed. The discrete variables (dependent and independent) are available in the dataset. Analysis of the data is presented below:

4.1 Response Rate

In order to conduct this research a total of 112 questionnaires were distributed to the targeted 112 respondents of PPPDS and randomly selected budgetary federal organizations which are located only in A.A. Out of 112 questionnaires 86 were completely filled and returned. The remaining 26 questionnaires are not returned. The analysis is done on the 76.8% of response rate which is very good enough to make a conclusion and recommendation. Therefore, 23.2% of targeted respondents did not participate in this study. This information was statistically analyzed and summarized in the frequency and percentage table 4.1 below:

Table 4. 1 Response Rate

Respondent's	Frequency	Percentage (%)
Actual response	86	76.8
Non response	26	23.2
Total	112	100

Source: Survey Data (2017)

4.2 Profile of Respondents

In this section, the researcher analyzed and discussed general information of the respondents which are relevant to the study was summarized on the tables here below and the frequencies and percentages are calculated and described. Many of these variables are gender, educational level, years of experience and current position to provide background information about the respondents to the reader and have no impact on the factors of the study.

Table 4. 2 Profile of Respondents

Gender	Frequency	Percent	Cumulative Percent
Female	33	38.4	38.4
Male	53	61.6	100.0
Total	86	100.0	
Respondents position	Frequency	Percent	Cumulative Percent
Expert	34	39.5	39.5
Head of Department Unit	3	3.5	43.0
Senior expert	49	57	100.0
Total	86	100.0	
Education level	Frequency	Percent	Cumulative Percent
Certificate	-	-	-
Diploma	2	2.3	84.9
Degree	71	82.6	82.6
Master's Degree & above	13	15.1	100.0
Total	86	100.0	
Work Experience	Frequency	Percent	Cumulative Percent
less than 2 years	22	25.6	25.6
2-5 years	37	43.0	68.6
6-10 years	24	27.9	96.5
over 10 years	3	3.5	100.0
Total	86	100.0	

Source: Survey Result (2017)

According to the findings as presented in Table 4.2, majority of the respondents were male. The male respondents were 53 representing 61.6% whereas; the female respondents were 33 representing 38.4% of the total respondents. This reveals that, the staffs employed in the study a more representation of the male in procurement related activities.

The study sought to establish the position of respondents hold in their organization and the results revealed that 3.5% of the respondents were head of department unit, 39.5% of the respondents were procurement experts and while 57% of the respondents were senior procurement experts. This implies that the majority were able with adequate knowledge. Thus, it is clear that the experienced and educated respondents could understand the effects of evaluation on procurement performance and give sufficient and correct information that could contribute through the validity of the study.

The respondents were asked to show their highest attained education level. The study revealed that majority of the respondents 82.6% participated in this research were degree holders, while 15% of respondents had attained their education up to Master's Degree & above and 2.3% of the respondents had achieved diploma level. None had a certificate level. These findings implied that most of the respondents were qualified to understand the nature of the study problem. The figure also indicates that the questionnaire is completed by professional staffs and expected to give valuable response.

As it is shown in table 4.2 above, from the total valid respondents, 25.6% of the respondents have less than 2 years of work experience, 43% of the respondents have 2-5 years of work experience and 27.9% respondents have experience of 6-10 and 3.5% of them have above 10 years' experience. The data tells about most of respondents (around 74.4%) have more than two years' experience and from this figure we understand that the information obtained from them is reliable or dependable since they have good know-how and experience about the concept of supplier evaluation and its effect on procurement performance of the organization.

4.3 Survey Results

The following descriptive statistical analysis shows the conceptual framework adopted for this study. Particularly, the analysis demonstrates the research questions, which are related with supplier evaluation are supplier's quality commitment, supplier's financial stability and supplier competency. To study the effect of supplier evaluation on procurement performance, the respondents were requested to indicate the extent to which application of the supplier evaluation criteria has influence on Procurement Performance in their organization. To make discussions the study used mean, frequency and percentile. The PPPDS and selected federal budgetary organization respondents were asked to indicate the extent to which the effect of supplier evaluation on procurement performance in PPPDS in five scales (Very Low Extent= 1, Low Extent= 2, Moderate Extent= 3, Great Extent= 4 and Very Great Extent= 5).

4.3.1 Effect of Supplier quality commitment on Procurement Performance

The researcher sought to know the effect of supplier quality commitment on procurement performance and this was consistent with research objective one. The findings were illustrated on table 4.3 below.

Table 4. 3 Effect of suppliers' quality commitment related response summery

No	Questions	scale	Frequency	Percent	Cumulative Percent	Mean
1	Problem of meeting conformance with specification influence on procurement performance	2	8	9.3	9.3	3.99
		3	16	18.6	27.9	
		4	31	36.0	64.0	
		5	31	36.0	100.0	
2	Reliability of supplier to deliver the promised goods and service in a consistent and accurate manner is one of the problem on procurement performance	1	1	1.2	1.2	4.09
		2	1	1.2	2.3	
		3	14	16.3	18.6	
		4	43	50.0	68.6	
		5	27	31.4	100.0	
3	Responsiveness to customers demand influence on procurement performance	2	3	3.5	3.5	3.92
		3	14	16.3	19.8	
		4	56	65.1	84.9	
		5	13	15.1	100.0	
4	Inappropriate quality standard influence on procurement performance.	1	1	1.2	1.2	4.23
		2	3	3.5	4.7	
		3	9	10.5	15.1	
		4	35	40.7	55.8	
		5	38	44.2	100.0	
5	Supplier's cooperation in case of quality problems is the major challenge on procurement performance	2	4	4.7	4.7	3.97
		3	17	19.8	24.4	
		4	43	50.0	74.4	
		5	22	25.6	100.0	
6	Suppliers management commitment to quality influence on procurement performance	1	3	3.5	3.5	3.95
		2	4	4.7	8.1	
		3	11	12.8	20.9	
		4	44	51.2	72.1	
		5	24	27.9	100.0	
7	supplier's quality management systems highly influence on procurement performance	1	2	2.3	2.3	4.08
		2	5	5.8	8.1	
		3	9	10.5	18.6	
		4	38	44.2	62.8	
		5	32	37.2	100.0	

The study sought to evaluate the effect of supplier quality commitment on procurement performance of PPPDS. According to the above table 4.3 the respondents indicated that Problem of meeting conformance with specification influence on procurement performance to a very great extent in the organizations as this was reported by 36% and 36% of the respondents who reported great extent and 18.6% moderate extent respectively which had a mean of 3.99.

According to 81.4% of the respondents, Reliability of supplier to deliver the promised goods and service in a consistent and accurate manner is one of the problems on procurement performance of PPPDS and which had a mean of 4.09. 65.1% and 15.1% of the respondents Responsiveness to customers demand influence on procurement performance that had a very large extent and large extent respectively. According to 84.9% of the respondents, inappropriate quality standard influence on procurement performance to a very large extent. Also, 75.6% of the respondents reported that Supplier's cooperation in case of quality problems is the major challenge on procurement performance to a very large extent as shown by a mean of 3.97. According to 79.1% of the respondents, supplier's management commitment to quality influence on procurement performance to a very large extent as shown by a mean of 3.95. 81.4% of the respondents reported that supplier's quality management systems highly influence on procurement performance of PPPDS as shown by a mean of 4.08. The mean value 2 and less indicated low effect on procurement performance, mean value greater than 2 and less than 3 indicate moderate effect, mean value greater than 3 indicate high effect on procurement performance.

In general, from the analysis all of the respondents agreed with a large extent that high effect related with supplier's quality commitment on procurement performance in PPPDS, because as the above table indicates that all mean value is greater than 3. This indicated that the highest mean values are inappropriate quality standard of supplier goods and service, supplier quality management systems and reliability of supplier to deliver the promised goods and service in a consistent and accurate manner are the major effects on procurement performance in PPPDS. These results are in line with research done by Mutai & Okello (2015) in their study supplier level of quality commitment directly determines the level of quality in products and services obtained through procurement activities; product quality is just an aspect of procurement performance. In overall, achievement of product quality affects procurement performance. As per Kitheka (2013) the effect of supplier quality commitment is significant for organizations with

documented strategies of supplier evaluation. He pointed out that from supplier quality management, an organization may enjoy among other benefits reduced lead times, increased responsiveness to customers, orders and enquiries, customer loyalty, increased profitability, reduced opportunity cost from lost sales and effective communication between the organization suppliers as well as customers.

From open ended questions, the respondents said that conformance to the specification, cooperation in case of quality problems, responsiveness to demand change, quality management system, reliability and quality standards of supplier goods and service influence on procurement performance of the organization.

4.3.2 Effect of Supplier financial ability on Procurement Performance

The researcher sought to know the effect of supplier financial ability on procurement performance and this was consistent with research objective two. The findings were illustrated on table 4.4 below.

Table 4. 4 Effect of supplier financial ability related response summery

No	Questions	Scale	Frequency	Percent	Cumulative Percent	Mean
1	poor cash flow management of supplier influence on procurement performance	1	2	2.3	2.3	3.73
		2	7	8.1	10.5	
		3	19	22.1	32.6	
		4	42	48.8	81.4	
		5	16	18.6	100.0	
2	Profitability level of supplier influence on procurement performance	2	2	2.3	2.3	4.22
		3	10	11.6	14.0	
		4	41	47.7	61.6	
		5	33	38.4	100.0	
3	Not understanding of a supplier's total costs influence on procurement performance	1	1	1.2	1.2	4.13
		2	2	2.3	3.5	
		3	14	16.3	19.8	
		4	37	43.0	62.8	
		5	32	37.2	100.0	
4	Supplier return on asset influence on procurement performance	1	1	1.2	1.2	3.84
		2	4	4.7	5.8	
		3	22	25.6	31.4	
		4	40	46.5	77.9	
		5	19	22.1	100.0	
5	annual turnover of the supplier influence on procurement performance	1	1	1.2	1.2	4.16
		2	4	4.7	5.8	
		3	10	11.6	17.4	
		4	36	41.9	59.3	
		5	35	40.7	100.0	
6	Lack of supplier financial records may influence on procurement performance	1	3	3.5	3.5	4.00
		2	5	5.8	9.3	
		3	10	11.6	20.9	
		4	39	45.3	66.3	
		5	29	33.7	100.0	
7	Inadequate financial capacity of supplier influence on procurement performance	1	2	2.3	2.3	4.41
		2	5	5.8	8.1	
		3	1	1.2	9.3	
		4	26	30.2	39.5	
		5	52	60.5	100.0	
8	unavailability of supplier's credit facility influence on procurement performance	1	2	2.3	2.3	3.99
		2	6	7.0	9.3	
		3	13	15.1	24.4	
		4	35	40.7	65.1	
		5	30	34.9	100.0	

The study sought to evaluate the supplier financial ability are influenced the procurement performance of PPPDS. As it summarized in the table 4.4, 67.4 % (great extent and very great

extent) of respondents (mean 3.73) assures poor cash flow management of supplier influence on procurement performance. According to 86.1% of the respondents, Profitability level of supplier greatly influence on procurement performance of the organizations and which had a mean of 4.22. Not understanding of a supplier's total costs influence on procurement performance according to the response given by 80.2% of the respondents. According to the findings on the frequencies, 68.6% of the respondents reported that evaluation based on supplier return on asset had a great effect on procurement performance of the organizations. Annual turnover of the supplier was also reported by 41.9% and 40.7% of the respondents to have a great and very great extent of influence to the procurement performance of the organization. Findings also revealed that Lack of supplier financial records greatly influence procurement performance of the organization. This is according to 45.3% and 33.7% of the respondents who reported a great and a very great extent of influence respectively.

Inadequate financial capacity of supplier reported to have a great influence on procurement performance by 90.7% of the respondents and which had a mean of 4.41. Findings further reveal that unavailability of supplier's credit facility, greatly affects procurement performance. This is with reference to the response given by 75.6%, of the respondents who reported a great and very great extent of influence to the procurement performance.

The mean value 2 and less indicated low effect on procurement performance, mean value greater than 2 and less than 3 indicate moderate effect, mean value greater than 3 indicate high effect of supplier financial stability on procurement performance.

In general, from the analysis all of the respondents agreed with a large extent, high effect related with supplier's financial ability on procurement performance in PPPDS, because as the above table indicates that all mean value is greater than 3. This indicated that the highest mean values are inadequate financial capacity, Profitability level of supplier and annual turnover, not understanding of a supplier's total costs and lack of supplier financial records are the major effects on procurement performance in PPPDS. These results are in line with research done by Mutai & Okello (2015) Suppliers' financial ability directly influences their ability to supply what the organization needs. However, the effect would be significant for organizations that deal with physical products. A study done by Oyando (2014) financial ability of the supplier affects county government supplies to a great extent, is essential that procurement officers get to assess

the financial ability of the supplier firm any tender is awarded. Financial appraisal in the procurement process is to analyze a supplier's financial position and determine the level of risk that it would present to the client having regard to the contract requirements and financial ability of suppliers provides information that enables sound decisions to be made either when sourcing suppliers or when evaluating tenders.

From open ended questions, the respondents said that financial capacity, annual turnover, cost of production and profitability of supplier highly affect the procurement performance of the organization.

4.3.3 Effect of Supplier competence on Procurement Performance

The researcher sought to know the effect of supplier competence on procurement performance and this was consistent with research objective three. The findings were illustrated on table 4.5 below.

Table 4. 5 *Effect of supplier competence related response summery*

No	Questions	Scale	Frequency	Percent	Cumulative Percent	Mean
1	Service level of supplier effect on procurement performance	2	6	7.0	7.0	3.78
		3	24	27.9	34.9	
		4	39	45.3	80.2	
		5	17	19.8	100.0	
2	Not considering Performance History of supplier impact on procurement performance	1	2	2.3	2.3	4.06
		2	4	4.7	7.0	
		3	12	14.0	20.9	
		4	37	43.0	64.0	
		5	31	36.0	100.0	
3	Way of communication of supplier is one of the problem on procurement performance	1	2	2.3	2.3	3.80
		2	6	7.0	9.3	
		3	17	19.8	29.1	
		4	43	50.0	79.1	
		5	18	20.9	100.0	
4	Lack of supplier's equipment and machinery influence on procurement performance	1	1	1.2	1.2	3.95
		2	6	7.0	8.1	
		3	14	16.3	24.4	
		4	40	46.5	70.9	
		5	25	29.1	100.0	
5	Capacity problem of supplier to deliver the order is one of the major issue on procurement performance	2	2	2.3	2.3	4.31
		3	13	15.1	17.4	
		4	27	31.4	48.8	
		5	44	51.2	100.0	
6	Lack of supplier's qualified staff's influence on procurement performance	2	7	8.1	8.1	3.86
		3	16	18.6	26.7	
		4	45	52.3	79.1	
		5	18	20.9	100.0	
7	Problem of supplier's flexibility to respond to unexpected demand changes on procurement performance	2	7	8.1	8.1	4.09
		3	12	14.0	22.1	
		4	33	38.4	60.5	
		5	34	39.5	100.0	
8	Technical capability of the supplier is highly influence on procurement performance	2	4	4.7	4.7	4.30
		3	10	11.6	16.3	
		4	28	32.6	48.8	
		5	44	51.2	100.0	
9	Un ability to meet proposed delivery schedule impact on procurement performance	1	1	1.2	1.2	4.31
		2	3	3.5	4.7	
		3	13	15.1	19.8	
		4	20	23.3	43.0	
		5	49	57.0	100.0	

The study sought to evaluate the extent that supplier competence effect on procurement performance of PPPDS. According to table 4.5 the service level of supplier greatly effect on procurement performance of the organization. This is with reference to the response given by 65.1%, of the respondents who reported a great and very great extent of influence to the procurement performance and which had a mean of 3.78. As it summarized in the table 4.5, 79 % (great extent and very great extent) of respondents (mean 4.06) assures Not considering Performance History of supplier greatly impact on procurement performance. According to 70.9% of the respondents, way of communication of supplier is one of the problems on procurement performance of the organizations and which had a mean of 4.22.

Lack of supplier's equipment and machinery was also reported by 46.5% and 29.1% of the respondents to have a great and very great extent of influence to the procurement performance of the organization. Findings also revealed that Capacity problem of supplier to deliver the order is one of the major issues on procurement performance of the organization. This is according to 31.4% and 51.2% of the respondents who reported a great and a very great extent of influence respectively. Lack of supplier's qualified staff's influence on procurement performance the organization. This is according to 52.3% and 20.9% of the respondents who reported a great and a very great extent of influence respectively. Findings also further reveal that the supplier's flexibility to respond to unexpected demand changes, Technical capability of supplier and un ability to meet proposed delivery schedule greatly influence on procurement performance. This is with reference to the response given by 77.9%, 83.8% and 80.3% of the respondents respectively who reported a great and very great extent of influence on procurement performance.

The mean value 2 and less indicated low effect on procurement performance, mean value greater than 2 and less than 3 indicate moderate effect, mean value greater than 3 indicate high effect of supplier competence on procurement performance.

In general, from the analysis all of the respondents agreed with a large extent, high effect related with supplier commitment on procurement performance in PPPDS, because as the above table indicates that all mean value is greater than 3. This indicated that the highest mean values are capacity problem, UN ability to meet proposed delivery schedule, Technical capability, Problem of supplier's flexibility and not considering Performance History of supplier are the major effects on procurement performance in PPPDS. A study done by Mutai & Okello (2015) Supplier competence determines the understanding and satisfaction of buyer's needs that directly

enhances meeting such needs. These results are also in line with research done by Kirande & Rotich (2014) the organizations therefore choose suppliers with who have the capacity to deliver. The study further observed that supplier evaluation can work as a tool to influence future behavior of both buyer and supplier organization. By connecting procurement targets to certain supplier competence, organizations achieve higher supplier performance thereby leading to improved procurement performance.

From open ended questions, most of the respondents said that experience, availability of facility, time of delivery, capacity, technical capability, employee competence, flexibility of suppliers and way of communication influence on procurement performance of the organization.

4.3.4 Procurement Performance Indicators

The researcher sought to know the effect of supplier evaluation on procurement performance in respective procurement performance indicators. The findings were illustrated on table 4.6 below.

Table 4.6 Procurement performance Descriptive Statistics

No	Questions	Scale	Frequency	Percent	Cumulative Percent	Mean
1	acquisition of higher quality supplies with lower cost	2	1	1.2	1.2	4.12
		3	18	20.9	22.1	
		4	38	44.2	66.3	
		5	29	33.7	100.0	
2	reduced risk of supplier failure	2	2	2.3	2.3	4.07
		3	17	19.8	22.1	
		4	40	46.5	68.6	
		5	27	31.4	100.0	
3	Achieving customer satisfaction	2	3	3.5	3.5	4.17
		3	11	12.8	16.3	
		4	40	46.5	62.8	
		5	32	37.2	100.0	

The procurement performance was examined using four metrics; acquisition of higher quality supplies with lower cost, reduced risk of supplier failure and achieving customer satisfaction. The result for the extent that supplier evaluation influence on acquisition of higher quality supplies with lower cost were 44.2% and 33.7% of the respondents who reported a great and

very great extent of influence on acquisition of higher quality supplies with lower cost and which had a mean of 4.12. The result for the extent that supplier evaluation influence on reduced risk of supplier failure were 46.5% and 31.4% of the respondents who reported a great and very great extent of influence on reduced risk of supplier failure and which had a mean of 4.07. The result for the extent that supplier evaluation influence on achieving customer satisfaction were 46.5% and 31.4% of the respondents who reported a great and very great extent of influence on achieving customer satisfaction and which had a mean of 4.17. The mean value 2 and less indicated low effect on procurement performance, mean value greater than 2 and less than 3 indicate moderate effect, mean value greater than 3 indicate high effect of supplier competence on procurement performance.

In general, from the analysis all of the respondents agreed with a large and very large extent, high effect on acquisition of higher quality supplies with lower cost, reduced risk of supplier failure and achieving customer satisfaction in PPPDS, because as the above table indicates that all mean value is greater than 3.

4.4 Tests and Analysis to evaluate the effects of supplier evaluation on procurement performance

In this study the researcher used inferential analysis is concerned with the tests of significance for normality in order to determine the validity of data. The data was sorted to group questions according to applicable constructs under test. Finally correlation and multiple regression analysis were performed. Tests and analysis of the data are presented below:

4.4.1 Normality Test

The data would be distributed symmetrically around the center of all scores. As such, if we drew a vertical line through the center of the distribution then it should look the same on both sides. This is known as a normal distribution and is characterized by the bell-shaped curve. This shape basically implies that the majority of scores lie around the center of the distribution so the largest bars on the histogram are all around the central value (Field, 2006).

In a normal distribution, the values of skewness are 0. If a distribution has values of skew above or below 0 then this indicates a deviation from normal (Field, 2009). As we have seen from the

below table, the skewness approaches or around to Zero and normal distribution figure 4.1 also show the data is almost normal. All variables were found to be normal.

Table 4. 7 Tests of normality

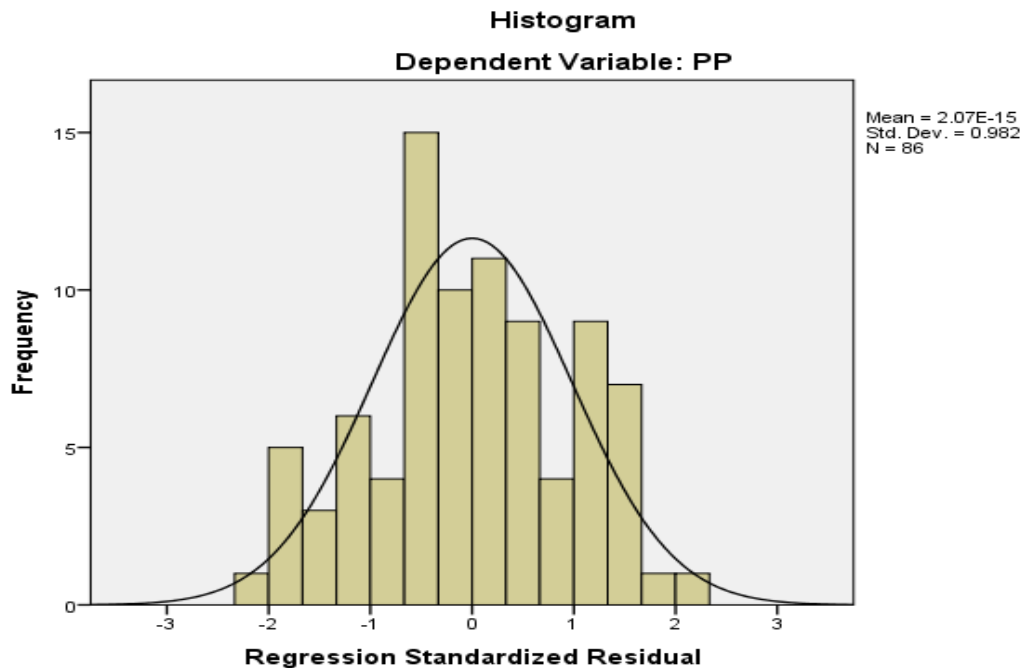
	QC	FS	SC
Skewness	-1.122	-1.596	-1.519
Std. Error of Skewness	.260	.260	.260

Source: Survey Result (2017)

Where: QC= Quality Commitment, FS= Financial Stability, SC= Supplier Competence

Skewed distributions are not symmetrical and instead the most frequent scores (the tall bars on the graph) are clustered at one end of the scale. A skewed distribution can be either positively skewed (the frequent scores are clustered at the lower end and the tail points towards the higher or more positive scores) or negatively skewed (the frequent scores are clustered at the higher end and the tail points towards the lower more negative scores) (Field, 2005).

Figure 4. 1 Normal distribution of the data



Where: PP = Procurement Performance

4.4.2 Correlations Analysis

The correlation of the variable is measured by Pearson correlation coefficient. The result of the Pearson correlation is presented on following tables and interpreted by the guide line suggested by Field (2006); he mentioned that the correlation coefficient is shown the relationship between the predictor and outcome variable. The relationship is measured in the range of 0.1 to 0.29 is weak relationship, 0.30 to 0.49 is moderate, above 0.50 shows strong relationship; while the positive and negative sign is for the direction of their relationship (Field, 2006).

Table 4.8 Correlations table

		QC	FS	SC	PP
QC	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	86			
FS	Pearson Correlation	.483**	1		
	Sig. (2-tailed)	.000			
	N	86	86		
SC	Pearson Correlation	.459**	.612**	1	
	Sig. (2-tailed)	.000	.000		
	N	86	86	86	
PP	Pearson Correlation	.653**	.713**	.670**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	86	86	86	86

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Survey Result (2017)

Where: QC= Quality Commitment, FS= Financial ability, SC= Supplier Competence

Correlation coefficient (r_s) was used to determine the strength of relationship between the dependent (Procurement Performance) and independent variables (supplier's quality commitment, supplier's financial ability and supplier competence). It is a parametric technique which gives a measure of the strength of association between two variables.

As it can be shown in the above correlation matrix, each variable is perfectly correlated with itself. Procurement performance is positively and significantly related to supplier's quality commitment with a correlation coefficient of $r_s = 0.653$, $P < 0.01$, there is found to be a positive

correlation and significantly related between procurement performance and supplier's financial ability with a correlation figure of 0.713, $P < 0.01$ and also there is a positive correlation and significantly related between procurement performance and supplier competence with a correlation coefficient of $r_s = 0.670$, $P < 0.01$. This shows that there was positive correlation or strong relationship between procurement performance and supplier's quality commitment, supplier's financial ability and supplier competence.

4.4.3 Multicollinearity Assumptions

Multicollinearity exists when there is a strong correlation between two or more predictors in a regression model (Saunders et.al, 2007). There should be no perfect linear relationship between two or more the predictors. So the predictor variables should not correlation too highly (Ho, 2006). If there is perfect collinearity between predictors it becomes impossible to obtain unique estimates of the regression coefficients because there are an infinite number of combinations of coefficients that would work equally well. Perfect collinearity is rare in real-life data, but less than perfect collinearity is virtually unavoidable (Field, 2006). This research data multicollinearity assumption is checked by the Person Correlation Coefficient and Collinearity Statistics.

a. Assumption Test using Pearson Correlation Coefficient

The first assumption is checking the value of Pearson correlation coefficient among predictor's variables. If Pearson correlation coefficient (r) value among predictors are below < 0.9 , there is no substantial correlation between predictor variables so there is no multi-collinearity problem (Field, 2006). As shown in table 4.8 above, all the Pearson correlation coefficient values (r) between predictors are below 0.90. Therefore, it has satisfied multi-collinearity assumption and don't have collinearity problem so that it is able to obtain unique estimates of the regression coefficient.

b. Assumption Test using Collinearity Statistics

The other way of checking the multicollinearity assumption is that by looking SPSS analysis output correlation table of collinearity statistics value of Tolerance and Variance Inflation Factor /VIF (Field, 2006). The Tolerance column value below 0.02 and VIF value above 10 pose a multicollinearity problem. The analysis indicates that there is the minimum tolerance value of

0.574 which is above 0.02 and the maximum VIF value is 1.742, which is below 10. Having this, the Tolerance and VIF value is shown in coefficient below table 4.8 and the analysis indicate that there is no multicollinearity problem.

Table 4. 9 Collinearity statistics value

Model	Collinearity Statistics	
	Tolerance	VIF
QC	.724	1.381
FS	.574	1.742
SC	.591	1.692

Source: Survey Result (2017)

Where: QC= supplier quality commitment

FS= supplier financial ability

SC= supplier competence

4.4.4 Auto-correlation Assumption /Durbin–Watson test/

It is the assumption of independent error tenable or reasonable test. Durbin-Watson used to test for serial correlation between errors. The test statistic value d can vary between 0 and 4, with a value of 2 meaning the residuals are uncorrelated. A value greater than 2 indicates a negative correlation between adjacent residuals, whereas a value below 2 indicates a positive correlation (Field, 2006). Similarly, Ott and Longnecker (2001) defines when there is no serial correlation, the expected value of the Durbin–Watson test statistic d is approximately 2.0; positive serial correlation makes $d < 2.0$ and negative serial correlation makes $d > 2.0$. Although, values of d less than approximately 1.5 (or greater than approximately 2.5) lead one to suspect positive (or negative) serial correlation. If serial correlation is suspected, then the proposed multiple regression models are inappropriate and some alternative must be sought.

Referring this and the model summary table 4.10; the Durbin-Watson value of this research is 1.967. Therefore, the auto-correlation assumption has almost certainly met, since it falls between 1.5 and 2.5. Furthermore, the correlation relation between the variables also is positive correlation since Durbin-Watson value below 2.0 (Ott and Longnecker, 2001).

4.4.5 Regression Analysis

Multiple regression analysis was conducted to establish the effect of supplier evaluation on procurement performance of PPPDS. The results were as presented in table 4.10

I. Coefficient of Determination

Model summary table describes the overall model whether the model is successful in predicting dependent variables. It gives a value of R square, which measure of how much of the variability in the outcome is accounted for the predictors. In addition, this summary table tells us whether auto-correlation assumption is satisfied or not through Durbin Watson value (Field, 2006).

Table 4. 10 Model Summary

Mode 1	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.825 ^a	.680	.669	.40230	1.967

Source: Survey Result (2017)

In the above table 4.10 multiple correlation coefficient R of 0.825 indicates that the correlation among the independent and dependent variables is a strong positive relationship; as a result working on those selected factors have positive impact on procurement performance of the organization. The three independent variables that were studied, explain only 68.0% of the supplier evaluation that are influence procurement performance in PPPDS as represented by the R^2 . This means that other supplier evaluation criteria not studied in this research contribute 32.0% affecting procurement performance in PPPDS. Therefore, further research should be conducted to investigate the other effects of supplier evaluation (32.0%) that influence the performance of procurement processes in PPPDS. The adjusted R Square in the table is 0.669 indicating that in case where the study population could have been changed, the study results could have varied by 33.1% from the current results. Therefore, the study results are 66.9% valid as shown by the adjusted R square value.

II. Analysis of Variance /ANOVA/ Test

ANOVA test was conducted to test the significance of the effect of supplier evaluation on procurement performance. The results were as presented in table 4.11

Table 4. 61 ANOVA results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28.253	3	9.418	58.191	.000 ^b
	Residual	13.271	82	.162		
	Total	41.525	85			
a. Dependent Variable: PP= Procurement performance						
b. Predictors: (Constant), where: QC= Quality Commitment, FS= Financial ability, SC= Supplier Competence						

Source: Survey Result (2017)

The ANOVA test result of procurement performance is indicated on above table 4.11, it is noticed that F value 58.191 is significant at $P < 0.001$ levels. Therefore, from the result, it can be concluded that the collective effect of supplier's quality commitment, supplier's financial ability and supplier competence is statistically significant.

III. Regression Coefficients or Model

Standardized regression coefficient (Beta) is the estimated coefficient indicating the strength of relationship between an independent variable and dependent variable expressed on a standardized scale where higher absolute values indicate stronger relationships (range is from -1 to 1) (William and Barry, 2010).

Table 4. 12 Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	-.688	.370		-1.860	.003
	QC	.407	.087	.342	4.666	.000
	FS	.404	.089	.374	4.537	.000
	SC	.361	.103	.284	3.496	.001

a. Dependent Variable: PP

Source: Survey Result (2017)

Where: QC= Quality commitment, FS= supplier financial ability

SC= supplier competence and PP= procurement performance

Table 4.12 shows the Beta Coefficients that present the contributions or positive or negative relationship of each variable to the model. The t and p values showed the influence of the independent variables on the dependent variable. At 5% level of significance and 95% level of confidence, supplier quality commitment had 4.666 level of significance; supplier financial stability showed 4.537 level of significance and supplier competence showed 3.496 level of significant. Hence the most significant factor is supplier quality commitment.

By examining the standardized regression coefficient (β) for each of the predictor variables, the result found that supplier quality commitment ($\beta = 0.407$, $p < 0.05$), supplier financial ability $\beta = 0.404$, $p < 0.05$) and supplier competence ($\beta = 0.361$, $p < 0.05$) show significant positive relationship with procurement performance.

According to beta coefficient results, all predictors are positively related to dependent variables and significantly influence the procurement performance. The study conducted a multiple regression analysis to determine the effect of supplier evaluation on procurement performance of PPPDS. All factors notably supplier quality commitment, supplier financial ability and supplier competence had effect on procurement performance in PPPDS. The study therefore concluded that through improvement in supplier quality commitment, supplier financial ability and supplier competence this can as well improve procurement performance. This further indicates that

supplier quality commitment, supplier financial ability and supplier competence are critical factors to improved procurement performance in PPPDS.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where: Y = dependent variable
 β_0 = constant
 β_n = Unstandardized regression coefficient
X = Value of the predicted coefficient

$$Y (PP) = \beta_0 + (\beta_1) QC + (\beta_2) FS + (\beta_3) SC$$

Where; PP is Procurement Performance
QC is Supplier Quality Commitment
FS is Supplier's financial ability
SC is Supplier Competence

$$Y (PP) = -0.688 + 0.407 QC + .404FS + 0.361 SC$$

By examining the unstandardized regression coefficient (β) for each of the predictor variables, the result found that Supplier Quality Commitment ($\beta = 0.407, p < 0.05$), Supplier's financial ability ($\beta = 0.404, p < 0.05$) and Supplier Competence ($\beta = 0.361, p < 0.05$) show significant positive relationship with procurement performance. So, there is a positive relationship between the predictors (Supplier Quality Commitment, Supplier's financial ability and Supplier Competence) and outcome (procurement performance) since the value of beta coefficient is positive.

4.5 Hypothesis Testing

Hypotheses testing were done using t-statistic. The results were as presented in the above table 4.12.

The first hypothesis of the study was;

H01: Supplier quality commitment has no significant effect on procurement performance of PPPDS. From the findings in table 4.12, $t=4.666$ imply that supplier quality commitment has influence on procurement performance. Similarly, $p=.000$ (<0.05) indicate that the effect is statistically significant. The first null hypothesis was therefore rejected and alternative hypothesis accepted. It was concluded that supplier quality commitment has significant effect on procurement performance of PPPDS.

The second hypothesis was stated as follows;

H02: Supplier financial ability has no significant effect on procurement performance of PPPDS. The findings presented in table 4.12, $t=4.537$ imply that suppliers financial ability has effect on procurement performance. Consequently, $p=.000$ (<0.05) implies that the effect is statistically significant. The second null hypothesis was therefore rejected and alternative hypothesis accepted. It was concluded that supplier's financial ability has significant effect on procurement performance of PPPDS.

Lastly, the third hypothesis of the study was stated as follows;

H03: Supplier Competency has no significance effect on procurement performance of PPPDS. From table 4.12, $t=3.496$ implies that supplier competence has some effect on procurement operational performance. Similarly, $p=0.001$ (<0.05) implies that the effect is statistically significant. The last null hypothesis was therefore rejected and alternative hypothesis accepted. Conclusion was made that supplier competence has significant effect on procurement operational performance of PPPDS.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter presents a summary of the major findings, conclusions and recommendations made to help and improve the performance of public procurement in PPPDS based on the objectives of the study.

5.1 Summary of Major Findings

The research aims at evaluating the effect of supplier evaluation on procurement performance with reference to PPPDS. Accordingly to meet this objective, the researcher has developed a questionnaire from the relevant literature to collect and analyze the opinions of the study sample. The following findings are obtained;

5.1.1 Suppliers' Quality Commitment

The first objective was to evaluate the effect of supplier quality commitment on procurement performance in PPPDS. The result shows that all of the respondents agreed with a large extent that supplier quality commitment (conformance with specification, reliability of supplier, responsiveness, supplier's quality management system and quality standard) highly influence on procurement performance of PPPDS. So supplier level of quality commitment directly determines the level of quality in products and services obtained through procurement activities; product quality is just an aspect of procurement performance. The results are consistent with open ended replied.

Regarding the relationship between supplier quality commitment (independent variables) and procurement performance (dependent variable) the correlation shows that they have a strong and positive correlation with supplier quality commitment at Pearson correlation (r) value of 0.653 with significant value of $P < 0.01$. The results are consistent with similar research findings by other researchers (Oyando 2014, Kitheka 2013 and Mutai & Okello 2015).

The statistical analysis shows that supplier quality commitment significantly influence on procurement performance at significant value of $p < 0.05$ at Beta value 0.407. This implies that

when the organization does a unit of improvement on supplier quality commitment, it will enable to improve the procurement performance by 40.7%. This finding is consistent with several previous studies that are better procurement performance as a result of supplier quality commitment (Mutai & Okello 2015 and Rajab and Muchelule 2016).

5.1.2 Supplier Financial ability

The second objective was to examine the effect of supplier financial ability on procurement performance in PPPDS. The result shows that all of the respondents indicated that supplier financial ability with large extent influence on procurement performance of the organization. It indicated that supplier financial ability (financial capacity, Profitability level of supplier, annual turnover, understanding of a supplier's total costs and supplier financial records) directly influences their ability to supply what the organization needs. The results are consistent with open ended replied.

Regarding the relationship between supplier financial ability (independent variable) and procurement performance (dependent variable) the correlation relation shows that they have a strong and positive correlation with supplier financial stability at Pearson correlation (r) value of 0.713 with significant value of $P < 0.01$. The results are consistent with similar research findings by other researchers (Oyando 2014 and Pamela 2013).

The statistical analysis shows that supplier financial ability significantly influence on procurement performance at significant value of $p < 0.05$ at Beta value 0.404. This implies that when the organization does a unit of improvement on supplier financial ability, it will enable to improve the procurement performance by 40.4%. This finding is consistent with several previous studies that are better procurement performance as a result of supplier financial ability (Mutai & Okello 2015, Oyando 2014 and Pamela 2013).

5.1.3 Supplier competence

The third objective was to evaluate the effect of supplier competence on procurement performance of PPPDS. The results indicated that all of the respondents agreed that supplier competence (capacity of the supplier, proposed delivery schedule, Technical capability, supplier's flexibility and Performance History of the supplier) with a large extent influence on procurement performance of the organization. This indicated that supplier competence determine the understanding and satisfaction of buyer's needs that directly enhances meeting such needs. The results are consistent with open ended replied.

Regarding the relationship between supplier competence (independent variable) and procurement performance (dependent variable) the correlation relation shows that they have a strong and positive correlation with supplier competence at Pearson correlation (r) value of 0.670 with significant value of $P < 0.01$. The results are consistent with similar research findings by other researchers (Kamenya 2014, Kirande & Rotich 2014, Mutai & Okello (2015 and Murigi 2014).

The statistical analysis shows that supplier competence significantly influence on procurement performance at significant value of $p < 0.05$ at Beta value 0.361. This implies that when the organization does a unit of improvement on supplier competence, it will enable to improve the procurement performance by 36.1%. These findings agree with the findings of (Kamenya 2014, Mutai & Okello (2015 and Murigi 2014).

Finally, the multiple regression analysis result indicated that 68.0% of variance in the procurement performance can be predicted from supplier evaluation factors. While the remaining 32.0% is explained by other supplier evaluation factors which are not included in this research.

5.2 Conclusion

The conclusions that were made in this study were based on the findings discussed above and the replied of the respondents. Based on the independent variables of the study that were; supplier quality commitment, supplier financial ability and supplier competence. As regards supplier quality commitment, it was concluded that supplier quality commitment influence on procurement performance of the organization with a large extent and it has positive and significant effect on procurement performance. Supplier quality commitment directly determines the level of quality in products and services obtained through procurement activities. As regards supplier financial ability, it was concluded that supplier financial ability influence on procurement performance of PPPDS with a large extent and it has positive and significant effect on procurement performance. Supplier financial ability directly influences their ability to supply what the organization needs. As regards supplier competence, it was concluded that supplier competence influence on procurement performance of PPPDS with a large extent and also the independent variables have positive and significant effect on procurement performance.

Generally, based on those finding, it was concluded that supplier evaluation can be used to improve procurement performance in the organizations.

5.3 Recommendations

Based on the findings, the following recommendations are forwarded by the researcher:-

The organization train their supplier evaluation committees or procurement experts on how best to evaluate the suppliers. This will enable the organization to get the right suppliers which will lead to harnessing the benefits associated with shortened lead times, customer satisfaction and higher profit margins. The organization should take into consideration what evaluation criteria is related to improve procurement performance and capitalize on them like supplier financial capacity, quality commitment and competence of the supplier and the like to enjoy an organization benefits related with reduced lead times, increased responsiveness to customers, higher quality supplies with lower cost, customer satisfaction, customer loyalty, increased profitability and reduced opportunity cost from lost sales.

Finally, it is recommended that supplier evaluation should be done by experts who are knowledgeable and have expertise to conduct the exercise professionally.

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APPENDIX

Addis Ababa University School of Commerce

Department of Logistics and Supply Chain Management

Survey Questionnaires filled by PPPDS staffs and Federal Public Bodies Procurement Experts

Dear Respondent,

My name is MOHAMMED ALI, a prospect graduate of Master of Art student in Logistics and supply chain management in Addis Ababa University, school of Commerce. This questionnaire is designed to gather information for the research entitled "Effect of supplier evaluation on Procurement Performance" The Case of Federal Public Procurement and Property Disposal Service. The research is conducted in partial fulfillment of Master of Art in Logistics and supply chain management and the information taken from you is used only for academic purpose. Your cooperation is a valuable input for the research findings. So, please provide your genuine opinion.

If you have any question, please don't hesitate to ask the researcher: Mohammed Ali 0912812128, mohammedalie12@yahoo.com.

This questionnaire consists of two parts; kindly answer all the questions by ticking (✓) in the appropriate box and filling in the spaces provided.

General Information of the Respondents

1. Gender Male [] Female []
2. Respondents position
 Head of Department unit [] Senior Expert [] Expert []
 Other (specify) _____
3. How long have you worked in the current organization?
 Less than 2 years []
 2 – 5 years []
 6 – 10 years []
 Over 10 years []
4. What is your education level?
 Certificate [] Diploma [] Degree [] Master's Degree & above []

PART I: Suppliers' Quality Commitment

Objective of the study: To evaluate the effect of Suppliers' Quality Commitment on procurement performance of PPPDS.

1. To what extent does Suppliers' Quality Commitment influence on procurement performance of your organization? Based on the following statements.

No.	supplier quality commitment	Very Low Extent	Low Extent	Moderate Extent	Great Extent	Very Great Extent
1.1	Problem of meeting conformance with specification					
1.2	Reliability of supplier to deliver the promised goods and service in a consistent and accurate manner					
1.3	Responsiveness to customers demand					
1.4	Inappropriate quality standard					
1.5	Supplier's cooperation in case of quality problems					
1.6	Suppliers management commitment to quality					
1.7	supplier's quality management systems					

If you want to add, please specify.....

PART II: Supplier Financial ability

Objective of the study: To examine the effect of supplier financial ability on procurement performance of PPPDS.

2. To what extent does supplier financial ability influence on procurement performance of your organization? Based on the following statements.

No.	supplier financial ability	Very Low Extent	Low Extent	Moderate Extent	Great Extent	Very Great Extent
2.1	poor cash flow management of supplier					
2.2	Profitability level of supplier					
2.3	Not understanding of a supplier's total costs					
2.4	Supplier return on asset					
2.5	annual turnover of the supplier					
2.6	Lack of supplier financial records					
2.7	Inadequate financial capacity of supplier					
2.8	unavailability of supplier's credit facility					

If you want to add, please specify.....

PART III: Supplier competence

Objective of the study: To evaluate the effect of supplier competence on procurement performance of PPPDS.

3. To what extent does supplier competence influence on procurement performance of your organization? Based on the following statements.

No.	supplier competence	Very Low Extent	Low Extent	Moderate Extent	Great Extent	Very Great Extent
3.1	Service level of supplier					
3.2	Not considering Performance History of supplier					
3.3	Way of communication of supplier					
3.4	Lack of supplier's equipment and machinery					
3.5	Capacity problem of supplier to deliver the order					
3.6	Lack of supplier's qualified staff's					
3.7	Problem of supplier's flexibility to respond to unexpected demand changes					
3.8	Technical capability of the supplier					
3.9	Un ability to meet proposed delivery schedule					

If you want to add, please specify.....

4. Procurement Performance Indicators

To what extent does supplier evaluation influence on procurement performance in respective of the following procurement performance indicators?

Ser.no.	Statement	Very Low Extent	Low Extent	Moderate Extent	Great Extent	Very Great Extent
1	acquisition of higher quality supplies with lower cost					
2	reduced risk of supplier failure					
3	achieving customer satisfaction					

5. How do you describe your organization supplier evaluation practice in general?

.....

6. Mention your opinion regarding the importance of supplier evaluation?

.....

7. In your opinion what are the criteria's considered during supplier evaluation?

.....

8. Mention your opinion regarding to improve procurement performance of your organization?

.....

Any other comments

.....

Thank you for taking time to complete this questionnaire!!