



**ST. MARY'S UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**

**THE EFFECTS OF PROCUREMENT PRACTICES ON ORGANIZATIONAL  
PERFORMANCE:  
A CASE OF EAST AFRICA BOTTLING SHARE COMPANY.**

**BY**  
**AYUB ABADIR**

**JUNE, 2020**

**ADDISABABA, ETHIOPIA**

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**ADVISOR: MESFIN TEFAYE (PhD)**

**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF  
GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS  
FOR THE DEGREE OF MASTERS OF BUSINESS ADMINISTRATION  
(GENERAL)**

**JUNE, 2020**

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## DECLARATION

I, undersigned, declare that this thesis is my original work, prepared under the guidance of Mesfin Tesfaye (PhD). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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**June, 2020**

## **ENDORSEMENT**

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

**Mesfin Tesfaye (PhD)**

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**June, 2020**

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## **ACKNOWLEDGEMENT**

First and foremost I would like to praise the almighty God for all its unspeakable gifts throughout my life.

My next gratitude goes to my advisor Mesfin Tesfaye (PhD) for all his constructive comments in this paper.

I am also very grateful for my family and friends who were beside me throughout my endeavour in their moral and material support.

My gratitude also goes to East African Bottling S.C. administrative and employees for giving me permission to conduct the study in the company and allow me to collect the data.

Finally, I would like to forward my heartfelt gratitude to all individuals who contribute their knowledge, time and energy for the successful completion of this study.

## **LIST OF ABBREVIATIONS**

CCBA: Coca Cola Beverages Africa

COPQ: Cost of poor quality

EABSC: East Africa Bottling Share Company

E-procurement: Electronic Procurement

HR: Human Resource

IBM: International Business Machines

ISO: International Standards Organization

JIT: Just In Time

KPI: Key Performance Indicators

OLS: Ordinary Least Square

PAT: Principal-Agency Theory

PQC: Poor Quality Costs

SABCO: South Africa Bottling Company

SPSS: Statistical Package for the Social Science

TQM: Total Quality Management

## **ABSTRACT**

*Procurement is the process of finding and agreeing to terms, and acquiring goods, services, or works from an external source. It is used to ensure the buyer receives goods, services, or works at the best possible price when aspects such as quality, quantity, time, and location are compared. The main objective of this study is to examine the effects of procurement practices on organizational performance within the East Africa Bottling S.C. To this end, different procurement activities were investigated to identify the major variables affecting organizational performance. The study has adopted explanatory design in order to reach in to the targeted objective. To accomplish this, a sample of 177 respondents were sampled out of which 144 were completely collected making the response rate 81.4%. The study employed stratified random sampling technique to identify respondents from the population. In order to collect the necessary data, questionnaire was designed and distributed by taking the most important procurement practices identified in literature as variables to affect organizational performance. The data from the questionnaires were analysed through descriptive and inferential statistical techniques. For the descriptive statistics frequency, mean and standard deviation were used. As the inferential statistics correlation analysis and multiple regression analysis was conducted using SPSS statistical software program. The finding of the study showed that out of the total five procurement practices used all of them were found to be capable of significantly affecting organizational performance, organizational capacity being the highest. Accordingly all the five hypotheses were accepted. Therefore, EABSC is recommended to consider all the five procurement activities as they are capable of enhancing the company's performance.*

**Key words-** *Organizational; Performance, Regression, Inferential Statistics East African Bottling Share Company.*

# CHAPTER ONE

## INTRODUCTION OF THE STUDY

### 1.1 Introduction

There has been increased pressure for the merging of procurement procedures and objectives with the organization's goals. The supply chain has been directly linked to the overall company performance and this has therefore made procurement practices vital to company success. Procurement practices positively impact an organization's financial performance, the success of a new product depends on procurement and supplier involvement. Most organizations use a substantial amount of their income in procurement and therefore recognize the importance of strategic procurement practices (Carr and Pearson, 2002). Directors and heads of procurement department greatly influence supplier evaluations and the drafting of specifications to ensure the organization gets the best value for its money.

### 1.2 Background of the Study

Massive changes are occurring in the operating models and marketing strategies of manufacturing sector organizations. Procurement greatly impacts how an organization achieves its objectives. According to Leenders et al (2008), purchasing adds value to the organization. Carr and Pearson (2002) states that procurement practices comprises of the actions taken by the purchasing organization to navigate and integrate its performance in order to increase productivity by reducing cost and time. Procurement is the practice of selecting vendors, strategic vetting, setting up payment terms, selection, and negotiation of contracts and actual purchasing of goods (Weele, 2010). Lim (2014) describes procurement as a process which entails acquiring (procuring) goods, services and work that is vital to an organization.

Procurement practice is an area that can be improved to further contribute to organizational performance. Organizations tend to choose procurement procedures that are familiar to them; they should instead choose the ones most suited and most beneficial to their organizations success. Narasimhan and Kim (2002), states that there has been increased pressure for purchasing integration. Purchasing integration links purchasing practices to organizational performance (Gattorna, 2006). The direct link of operational efficiency and supply chain to organizational performance therefore means that the adoption of procurement practices is crucial to organizational success. Consolidation of the entire procurement process leading to the implementation of procurement practices such as, green purchasing, just in time delivery

(JIT), total quality management (TQM) and e-procurement is necessary so as to boost the overall organizational performance. Streamlined procurement systems lead to efficiency and increases the confidence of employees, customers and stakeholders of the organization.

Shifting away from traditional purchasing and moving into modern and more efficient procurement practices leads to continuous improvement and benchmarking. This is where an organization measures itself against the leading organizations in its class. Procurement is no longer a process but a strategic function in the organization, it reduces cost and achieves maximum savings for the organization. Organizations should always benchmark against the 'best in class' and implement continuous improvement in its processes (Guth, 2010). Some of the procurement practices that organizations can engage in include: commitment to green purchasing, commitment to just in time delivery, commitment to total quality management and e-procurement. Organizations must broaden their view of productivity from the predictable company oriented view to a dual company - customer perspective.

Procurement should be deeply involved in the design and implementation of Sustainable Procurement Policies focusing on how Environmental issues and issues relating to other aspects of Society and Economy can be integrated in the procurement process activities (Hsu & Hu, 2008). Considering a wide variety of performance measures is important when defining organizational performance. Organizational performance should be measured under various perspectives; these include quality, efficiency, productivity, profitability and sustainability. Procurement practices should be looked at as part of organizational strategy.

Procurement should be involved in the budgeting process, supplier choice and consolidation, and issues touching on quality and technological advances.

Stakeholders are increasingly demanding that organizations should address and manage the environmental and social issues that impact their organization (Carter, 2011). Procurement managers are best positioned as they can positively or negatively impact social performance and the environment through performance evaluation and supplier selection. East African

Bottling S.C plays a vital role in Ethiopia's economy by creating employment for a large number of citizens.

### **1.2.1 Profile of East African Bottling S.C**

The Coca-Cola Company is the world's largest beverage company, refreshing consumers with more than 500 sparkling and still brands and more than 3,800 beverage choices. Led by Coca-Cola, one of the world's most valuable and recognizable brands. East African Bottling S.C which is one of the sub unit of Coca Cola SABCO set up in Ethiopia in 1959 in Addis Ababa where their 2<sup>nd</sup> plant open in Dire Dawa later on in 1965. In July 2016 SABCO joined the CCBE (Coca Cola Beverages Africa) and our 3<sup>rd</sup> plant in Bahir Dar were opened in Nov 2016.

### **1.3 Statement of the Problem**

An organization's purchasing department remains under pressure to achieve financial savings through efficient and coordinated service delivery. Organizations are nowadays increasing their professionalism and efficiency in the procurement process. Hassanzadeh and Jafarian, (2010), noted that procurement practices are strategic and are intended to increase the organization's productivity, identify better sources of supply and reduce raw materials prices and costs. Procurement practices lead to improvements in information and material flows, and are viewed as strategic functions that work to improve the organization's profitability, identify better sources of supply and reduce raw material prices and costs. Environmental pollution has led procurement to further realign its functions so that it can be able to conserve the minimal resources available. Green procurement's idea is to minimize or completely eliminate unsafe discharges and excesses across the supply chain, Hervani, Helms, and Sarkis, (2005). East Africa Bottling S.C should embrace the use of procurement practices such as electronic procurement and the employment of professionals as they focus on achieving competitive advantage. Organizational performance is improved when Information Technology is implemented in procurement. Factors that may hinder this implementation may include; employee resistance to change, failure by top management to allocate the required resources and lack of finances. The business environment is changing at a very high rate because of technological advances and procurement managers have to go along with the pace and ensure that all manner of procurement is environmentally friendly.

There are various studies conducted on the topic of procurement and its relation to organizational performance which have given different findings. For instance, Nantage (2011) found out that strategic procurement management has a direct impact on the financial performance of Banks in Uganda. It is necessary to carry out similar study in a different setting and find out if the same suggestion holds in the Ethiopian public institutions. Kabega et al, (2016) study was on effect of procurement practices on performance of public projects in



Rwanda. In their study, they did not include procurement practices like supplier selection procedure, buyer supplier relationship, organizational capacity and ethical consideration of which this study intends to examine. It is also essential to test if procurement planning has an influence on the performance of the East Africa Bottling S.C. A study carried out by Makabira and Waiganjo (2014) on the practices of procurement and corporate institution performance in Kenya with focus on Kenya national police service, indicated that procurement controls, procurement planning, procurement monitoring and training workforce in procurement practices have a great role in the performance.

Similarly, Angela (2016), did a research on the procurement practices strategies and performance of organization and a unit under investigation was the office of national audit in Kenya. The findings of this research revealed that most of the respondents lacked training on management of records, and that employee training on management of records affected performance of procurement. This study clearly shows that procurement practices specifically, inventory management is a significant function that lead better organizational performance. Asfaw Tsegaw (2017) did a research on International procurement practice and challenges on Addis Ababa University in which the study focuses and identified that the relationships between various stakeholders with in the organizations will affect the performance of the procurement and the overall organization. However, the study did not examine the various stakeholders outside the organization which have high impact on procurement process and the foreign exchange issues.

Several researches have been carried out on procurement practices and organizational performance. However, most of them as discussed above were done in different countries focus on different aspects the likes of training in procurement, inventory management etc. other than procurement practices, the likes of procurement planning, supplier selection procedure, buyer supplier relationship, organizational capacity related with organizational performance. Therefore, the aim of this study is to fill this knowledge gap in literature guided by the following research question: What effect does procurement practices have on organizational performance of the East Africa Bottling S.C. Doing so will allow the company to know the practice of procurement and know the variable having the highest effect on the company's performance and fill the existing literature gap with regard to procurement practice on Ethiopian companies performance in general.

## **1.4 Objectives of the Study**

### **1.4.1 General Objective**

The main objective of the study was to examine the effects of procurement practices on organizational performance within the East Africa Bottling S.C.

### **1.4.2 Specific Objectives**

The specific objectives of the study was:

- I. To analyze the effect of planning on organizational performance
- II. To investigate whether supplier selection procedures affect or organizational performance.
- III. To investigate whether buyer-supplier relationships affects organizational performance.
- IV. To investigate how organizational capacity affect performance
- V. To examine the effect of ethical practice on organizational performance

## **1.5. Significance of the Study**

The purpose of this study is to find the effect of procurement practices and how it affects the performance of organization in East Africa Bottling S.C. The result of the study will serve as an input for East Africa Bottling S.C to re-examine how much they were effective in applying procurement practices towards improving the performance of the organization.

Moreover, it will serve as a stepping stone for those who are interested to conduct advanced research works in the field under consideration. Obviously, it also helps to enhance the researcher's knowledge in research practices and in the contemporary Procurement practices, adds to the existing literature, and may serve as an additional source of reference.

## **1.6. Scope of the Study**

The study was geographically limited in EABSC Addis Ababa, located in head office around Lideta Sub-city excluding the employees of EABSC located to Bahirdar plant, Dire Dawa plant and all depots located in all regions of the country, Since it was not feasible to encompass all plants and depots which are located out of Addis Ababa as they are located in far dispersed manner and become costly and time taking to do the research.

Although assessment of other procurement area is equally important; the research limited only to the procurement practices as a means to improve organizational performance. Since the study is conducted on one organization, the findings cannot used as a generalization to all organizations but for organization with similar situation.

## 1.7. Operational Definition of Terms and Concepts

1. **Procurement Practice:** Procurement practices can be described as activities which involve procurement planning, procurement controls, procurement monitoring and training workforce and this formed the basis of this study with addition of inventory management.
2. **Procurement Planning:** According to Brown and Hyer (2010) planning is comprised of the identification of the main purpose, scope definition, requirements of customers, and identification of activities of procurement, time estimation which can be based on delivery of goods and services as per cost quoted and scheduled, responsibilities assignment among other many involvements.
3. **Supplier Selection Procedure:** It is the process of selecting a supplier to acquire the necessary materials to support the outputs of an organization.
4. **Buyer-Supplier Relationships:** It is the long-term relationship between the organization and its suppliers. It is designed to leverage the strategic and operational capabilities of individual participating organizations to help them achieve significant ongoing benefits
5. **Organizational Capacity:** It is the level of experience and efficiency of the procurement and finance staff and how they contribute to organizational performance through procurement.
6. **Ethical Practices:** The act of procurement followed by organization governed by the principals of fairness, integrity and transparency.
7. **Organizational Performance:** It refers to how well an organization provides accurate products and services, at reasonable price, at reasonable time and at a reasonable quantity.

## 1.8. Organization of the Paper

The research is presented in five chapters. Chapter one deals with introductory aspects namely, background of the study, statement of the problem, objective of the study, significant of the study, delimitation. Chapter Two is dedicated to the discussion of related literatures to give theoretical and empirical basis to the study. Chapter Three is about research methodology and Chapter Four talks about data analysis and discussion. And finally, Chapter Five has incorporated summary of finding, conclusions, and recommendations.

# CHAPTER TWO

## LITERATURE REVIEW

### 2.1. Theoretical Literature Review

This chapter presents the existing literature review on procurement practices and organizational performance. Specifically, this chapter covers the theoretical review, procurement practices and the challenges that affect these practices in the performance of organizations. The empirical review and conceptual framework will also be covered in this section.

### 2.2 Foundation of Models

This research is theoretically embedded on the Principal-Agency Theory and Theory of Legitimacy.

#### 2.2.1 Principal-Agency Theory

This theory is the foundation model employed to ascertain the formation of this study. The economists founded this model to confront the issue related to principal and agents, where agents are persuaded to carry out some task on behalf of the principal (Health & Norman, 2004). The Principal-Agency Theory (PAT) concerns with the understanding that is put in place for an individual or entity (agent) to act in another's interest (principal). The postulations and proposition of PAT fit obviously with the issues concerning procurement and performance. For instance, the Coca Cola Beverages Africa (CCBA) which is in this case the principal/shareholder of the East Africa Bottling S.C chooses management (agents) to act on its behalf. For that reason, the procurement management is given power to make decisions on behalf of the Coca Cola Beverages Africa (CCBA).

In the process of managing supplier quality, buyers in agency relations are likely to be faced by possible risks. By nature, it is the expectation of buyers to get good and improved quality goods and services from suppliers, however, suppliers might be hesitant to spend considerably in quality. Zu and Kaynak (2012) observed that the difference between buyers and suppliers always result in the two parties concerning themselves only with their self-interests. PAT establishes the way procurement managers carry out the procurement practices on behalf of Coca Cola Beverages Africa (CCBA). If there is existence of poor relationship between the principle and agent, then this could affect the relationship between the suppliers and the institutions. This study therefore, used this model to determine the procurement practices' role and the performance of organizations with focus on East Africa Bottling S.C.

### **2.2.2 Theory of Legitimacy**

This theory affirms that institutions have the command to explain their operations to their respective key actors, especially if it is a public entity should state its benefits to the society (Wilmshurst & Frost, 2000). Suchman (1995) stated that Theory of Legitimacy (LT) is a generalized assumption or perception that the activities of any organization which are workable, appropriate and viable in system which are based on social beliefs, values, definitions and norms. The notion of LT sturdily proposes that the social agreement which is between the manufacturing sector and the public is in position of being eliminated. Based on the context of procurement in manufacturing sectors like the East Africa Bottling S.C, there is likelihood of existence of issues like Partiality, corruption, as well as nepotism which can affect the practice of legitimacy theory. The study therefore employed legitimacy theory to be able to examine whether the procurement officers make disclosure of practice of procurement in order to build a better status with the respective government, key players together with the entire society. Managers may choose to legitimize and implement procurement practices on the understanding of their states or involved sections. Nevertheless, different public managers seem to differ ideally on the public expectation and their respective local authorities or agencies and even departments as the society views them to comply with their expectations.

## **2.3 Procurement Practices**

### **2.3.1 Procurement Planning**

Basis of work organization is provided through proper planning of projects as well as allocation of individuals' responsibilities. According to Brown and Hyer (2010) planning is comprised of the identification of the main purpose, scope definition, requirements of customers, and identification of activities of procurement, time estimation which can be based on delivery of goods and services as per cost quoted and scheduled, responsibilities assignment among other many involvements. The element of planning could be used to answers the following questions: What organizational result is expected? And what does the organization hope to accomplish by successfully completing this project? For one to understand the essential planning role which is played in successful implementation of projects, planning preparations is therefore required to be excellent, and these could involve well elaborated process scheduling of implementation phases and task timeliness, milestones, re-planning as well as fallback positions (Frese et al 2003). An implication that planning in conception is not enough as Saunders (1997), observed that planning can also consist of forecasting which assist in the cost prediction process and financial statement. Eventually, the principle function of planning in procurement is to secure

any delays in public projects implementation and avoidance of budgetary related situations which might be stumbling blocks to project success.

According to the Industry Manual (2008) a procurement plan is an instrument used for implementing a budget and it should be prepared by the user departments with a view to avoiding or limiting excess votes in the entities' budgets and for ensuring that procurements don't proceed unless there are adequate funds to pay for them. Thus all procurement plans should be integrated into the budget process on the basis of the indicative budget as appropriate and also in conformity with the procurement law.

In order to procure right quality goods, detailed specification is necessary as it assists in identifying what's required from the contractor who is expected to bid against the specifications that have been given in the bid document. Specifications, whether simple or complex, depends on the nature of procurement (Caldwell, Roehrich & Davies, 2005).

Poor procurement planning is a limiting factor to the economic development of Africa as a number of African countries have not paid enough attention to proper management of public resources (Basheka and Bisangabasaija, 2010).

For a public institution to succeed in its operations and service delivery, procurement planning is vital (Basheka and Bisangabasaija, 2010). According to Wittig (2008) public money is being consumed by procurement hence millions of government funds being misappropriated through procurement may be inhibited through procurement planning.

According to Caldwell, Roehrich, and Davies (2005) concept of procurement is that an advanced plan, schedule and group buying results to saving costs, an efficient business operation and thus increased profitability. Group buying, just in time delivery, negotiated bulk pricing and reduced administrative overhead are the steps that form the basis of procurement planning:

According to Angela (2016) effective and efficient procurement process can only be achieved by proper planning and competent staff or else the institution expects flawed procurement process. Kibet and Njeru (2014) reiterated that adherence to procurement plans positively affects procurement performance in institutions.

### 2.3.2 Supplier Selection Procedure

In literature and in various publications can be found numerous criteria for evaluating suppliers, but the question is how to choose the right ones from a given set, which will be used to choose the best solution. (Dickson, 1966) is considered to be a pioneer in this field because he was the first to create a study on the evaluation of suppliers in which he defined a set of 23 criteria by which the evaluation and selection of the best suppliers could be carried out. The Table 2.1 shows all 23 criterion that were used in the above study for the supplier's selection. In his paper (Ellram, 1990), he tried to increase the importance of qualitative criteria that should enable long-term cooperation between the company and suppliers. He divided criteria into four groups: financial aspects, organizational culture and strategic issues, technology issues, and other (Table 2.2). The criteria which shown in the Table 2.3 are intended to stimulate the creation of long-term partnership between the company and suppliers, as well as to create the possibility of securing sources of supply for a longer period of time. In order to implement such an approach for the supplier's evaluation, the company needs to develop a different strategy for the supplier's performance evaluation. Further, the authors from the end of the last century attempted to answer this question, and (Weber et. al., 1991) investigated the criteria for the selection of suppliers in manufacturing and retail environment in 74 papers published 1966-1991. In Table 3 are shown the criteria that have been established.

**Table 2. 1. Dickson's Supplier Selection Criteria (Dickson, 1966)**

Number	Criterion	The Importance of Criterion
1	Quality	Very High Importance
2	Delivery	
3	Performance History	
4	Warranties & Claims Policies	
5	Production Facilities and Capacity	Great Importance
6	Price	
7	Technical Capability	
8	Financial Position	
9	Procedural Compliance	
10	Communication System	
11	Reputation and Position in Industry	
12	Desire for Business	
13	Management and Organization	

14	Operating Controls	Medium Importance	
15	Repair Service		
16	Attitude		
17	Impression		
18	Packaging Ability		
19	Labor Relations Record		
20	Geographical Location		
21	Amount of Past Business		
22	Training Aids		
23	Reciprocal Arrangements		Low Importance

**Table 2. 2. Ellram Supplier Selection Criteria (Ellram, 1990)**

Number	Criterion	Number	Sub-Criterion
1	Financial aspects	1.1	Economic performance
		1.2	Financial stability
2	Organizational culture and strategy issues	2.1	Trust
		2.2	Management attitude/outlook for the future
		2.3	Strategic fit
		2.4	Top management capability
		2.5	Capability across levels and functions of buyer and supplier firms
		2.6	Supplier's organizational structure and personnel
3	Technology issues	3.1	Assessment of current manufacturing facilities/capabilities
		3.2	Assessment of future manufacturing capabilities
		3.3	Supplier's design capabilities
		3.4	Supplier's speed in development
4	Other factors	4.1	Safety record of the supplier
		4.2	Business references
		4.3	Supplier's customer base



**Table 2. 3. Weber’s Selection Criteria (Weber et al., 1991)**

Number	Criterion	The Importance of Criterion
1	Net price	Great Importance
2	Delivery	
3	Quality	
4	Production facilities and capabilities	Low Importance
5	Geographical location	
6	Technical capabilities	
7	Management and position in the industry	
8	Reputation and position in the industry	
9	Financial position	
10	Performance history	

A group of authors concluded that quality, delivery and price prevail as dominant criteria, while geographical location, financial position and production capacity are secondary factors. The criteria defined by Dickson, and later modified by Weber are still widely accepted in different studies, however, the weather and the importance of certain criterion changes which confirms the work in which the authors include over 110 works that were discussed the issue of suppliers selection.

### **2.3.3 Buyer-Supplier Relationship**

The core of achieving a successful supply chain is through the effective management of buyer-supplier relationships. Therefore, in order for buyers and suppliers to reach a more sustainable and successful relationship, both have to realize the benefit they will gain from managing such relation (Ambrose et al. 2010). Buyer-supplier relationships with reference to McDonald (1999) can be represented and elaborated in terms of the transactional collaboration continuum (Chen and Fung 2013; He et al. 2011; MacDonald 1999).

The transactional relationship in one end represents the engagement of buyers and suppliers in arm’s length relationship (He et al. 2011; MacDonald 1999) that is characterized by short-term orientation, wide supplier-base, one-time specific transaction requirement, and very low or no degree of trust followed by close monitoring (He et al. 2011; MacDonald 1999). The other extreme of the continuum is the collaborative relationship (Chen and Fung 2013; He et al. 2011; MacDonald 1999) which is said to be partnership as the most collaborative exchange (He

et al. 2011; Gullett et al. 2009) that requires high degree of trust and commitment, encourages interdependence, balanced power, shared understanding, and knowledge exchange among buyers and suppliers (He et al. 2011; McDonald, 1999).

### **2.3.3.1 Buyer-Supplier Relationship Characteristics**

In order to manage buyer-supplier relationships successfully in supply chain, great attention has to be given to its characteristics. From those characteristics trust, commitment, frequency of communication, relationship duration (Chen and Paulraj 2004), and reputation (Wagner et al. 2011; Doney and Canon 1997; Ganesan 1994).

#### **A. Trust**

A great attention was given to trust in social exchange theory, commitment-trust theory, and organizational behavior theory, and accordingly was considered the main building block for all the relational exchanges (Morgan and Hunt 1994). The confidence in the reliability and integrity between the exchanging partners is considered the base behind building trust within the relationship (Morgan and Hunt 1994; Kwon and Suh 2005). And therefore, trust can be defined as the willingness of relationship partners to exert effort, take risk, and sacrifice some power and control over the other partner for the success of the relationship (Kwon and Suh 2005; Doney and Canon 1997; Spekman et al. 1998; Morgan and Hunt 1994).

According to SET, trust is mainly created as a result of the reciprocation of benefit among the organizations of the relational exchange overtime (Lambe et al. 2001). The more valuable the exchange benefits and the more frequent the communication are, the higher the degree of trust created among the buyer-supplier relationship (Lambe. et al. 2001). This interrelationship among the relationship characteristics is shown in figure (1).

Trust is a main factor affecting the strength of any inter-organizational relationships (Lambe et al. 2001) and its effective management as well (Pantnayakuni, Rai and Seth 2006). Therefore, it is considered a basic relational norm for any buyer-supplier relationship (Pantnayakuni, Rai and Seth 2006). It is directly and significantly related to the frequency of communication, shared values, degree of satisfaction (Lambe et al. 2001), cooperation of organization within relationships (Jap 1999; Lambe et al. 2001), reducing opportunism (Jap 1999; Terawatanavong and Quazi 2006), and promoting long-term orientation and commitment within inter-organizational relationships (Terawatanavong and Quazi 2006).

## **B. Commitment**

On the other hand, commitment is drawn with reference to commitment-trust theory, social exchange theory, marriage, and organizational theories, and is considered as the soul of the relationship marketing and inter-organizational relationships (Morgan and Hunt 1994; Kwon and Suh 2005). The degree of commitment reflects the willingness of each organization to exert the necessary efforts and make the appropriate investments that would result in mutual benefit for both parties (Lambe et al. 2001; Terawatanavong and Quazi 2006).

Trust plays an important role according to SET in affecting the organizations' degree of commitment to the exchange (Lambe et al. 2001; Terawatanavong and Quazi 2006). The higher the degree of trust created between organizations within the exchange, the higher the degree of commitment of each to it (Lambe et al. 2001). The more successful and durable relational exchanges that generates positive outcomes, the higher the level of trust and commitment created as well (Lambe et al. 2001). The higher the degree of both trust and commitment helps in reducing opportunism and encourages inter-organizational cooperation (Lambe et al. 2001). By referring to the norm of reciprocity, the mutuality of commitment between buyers and suppliers strengthen their relationship (Terawatanavong and Quazi 2006).

Based on the commitment-trust theory, commitment can be seen as the positive belief of the exchanging partner about the significance and continuation of the relationship that might warrant them the benefit from exerting effort in such a relation (Morgan and Hunt 1994; Kwon and Suh 2005). Therefore, by considering trust as a main building block, commitment refers to the creation of a more sustainable business organization and interdependent relationships between buyers and suppliers (Kwon and Suh 2005; Spekman et al. 1998; Morgan and Hunt 1994). Then supply chain performance will be greatly affected by the degree of commitment in buyer-supplier relationships as it would help in having common goals and efforts, while allowing long-term success for all SC entities (Spekman et al. 1998).

## **C. Frequency of Communication**

According to both the transaction cost and social exchange theories, communication has a vital role in the enhancement of the buyer-supplier relationship (Ambrose et al. 2010). It is reflected in many disciplines such as supply chain management and relationship marketing literatures as an important predecessor for trust in any buyer-supplier relationship (Vijver et al. 2011). Close buyer-supplier relationship requires high degree of trust (Paulraj and Chen 2005), commitment (Ambrose et al. 2010), and more frequent and effective communication (Paulraj et.al. 2005)

for better information exchange and successful relationship (Paulraj and Chen 2005; Ambrose et al. 2010).

In this paper the frequency of communication is going to be separated from the content of knowledge or information exchanged. Accordingly, frequency of communication can be defined as the degree of contact and interaction between buyers and suppliers in an inter-organizational relationship. Based on TCA theory, Hobbs (1996) stated that the frequency of transaction affects greatly the level of information shared, opportunistic behavior, and consequently the type of governance structure. It is argued that the less frequent the transaction is between buyers and suppliers, the more opportunism, the lower level of information shared among them, and the more the governance structure is towards complete vertical integration.

#### **D. Relationship Duration**

The duration of relationship reflects the level of experience gained by each of the suppliers and buyers in dealing with each other, the developed behaviors and norms, and the relationship specific-assets they invested in. The duration of relationship between buyers and suppliers depends basically on trust. As trust increases, buyers and suppliers start acting collectively, investing in each other's capabilities; thus become more predictive to the other's behavior (Doney and Canon 1997), jointly solve problems and design new products, and commonalize their plans (Spekman et al. 1998). This will consequently lead to a longer and closer buyers-suppliers relationship which will allow them to share risks and rewards (Doney and Canon 1997; Spekman et al. 1998; Chen and Paulraj 2004).

#### **E. Reputation**

The supplier's reputation greatly affects his relationship with its buyers in supply chains (Wagner et al. 2011). Reputation is considered a main selection criterion and characteristic of suppliers in buyer-supplier relationships (Wagner et al. 2011; Doney and Canon 1997; Ganesan 1994), and it can be referred to as the supplier's intangible asset (Wagner et al. 2011). Reputation can be defined as the extent to which suppliers are fair, honest, and concerned with their buyers in relationships (Wagner et al. 2011; Doney and Canon 1997; Ganesan 1994). The spreading of the supplier's good reputation within the whole market will enhance its credibility (Doney and Canon 1997), while encouraging the buyers to sustain current relations and willingness in engaging with them in collaboration (Wagner et al. 2011).

The reputation is said to be interrelated with the degree of trust and commitment, and relationship duration as well (Wagner et al. 2011). The positive supplier's reputation will raise the degree of buyer's trust in him, increase their willingness to lengthen the relationship duration (Wagner et al. 2011; Doney and Canon 1997; Ganesan 1994), and enhances their degree of commitment to the relationship as well (Wagner et al. 2011). This also ensures the interrelationship between the relationship characteristics as shown in figure (1). The difficulty of building good reputation hinders the supplier from acting opportunistically in his relationship with buyers even for short-term period of time, fearing from losing it (Wagner et al. 2011; Houston and Johnson 2000; Doney and Canon 1997; Ganesan 1994). Since reputation is considered a valuable intangible asset for the suppliers that required a huge investment to be gained and built (Wagner et al. 2011; Doney and Canon 1997), losing it through his opportunistic behavior will result in huge costs that he would not bear (Houston and Johnson 2000; Doney and Canon 1997).

#### **2.3.4 Controlling and Monitoring**

Brown and Hyer (2010) described controlling and monitoring the process of system tracking a checklist which is simple to that which is sophisticated, in order to identify changes in the novel plan. These researchers further indicated that in any given controlling and monitoring process, there is need for team assigned to work on the project to be in agreement on the approaches which are appropriate in monitoring process as it is one of the key performance indicators (KPIs) in project construction. They referred control of project to decisions, actions and processes that are related to variations in project implementation. Control and monitoring of project requires a change in management process of projects that is used to make variations appropriately. Control and monitoring are key pillars to the success in implementation as it regularly compels contrast of targets against performance (Chandra, 2008).

On the same note, Brown and Hyer (2010) asserted that control and monitoring are elements that influence execution of projects and affect real performance to come from performance plan. The elements can be as follows: Murphy's Law – this element indicates the principle which states that for something which is to go wrong will always go wrong, meaning that all risks cannot be anticipated accurately; the second element is Scope Creep – it defines the propensity to growth of projects that goes beyond their primary size; Pareto's law -states that three quarters of problems of projects come about by a margin of 20% of their related activities. Project effectiveness of system monitoring is supposed to base on operations that handle uppermost delay risks, over-runs of cost, as well as challenges to performance; last but not

least, the principle of escalation of commitment – this principle notes that people pursue action of failing courses and yet their indicators position to the strategy falsehood. Therefore, project of procurement monitoring contract system tend to have an important impact on individual's ability to make decision to de-escalate or escalate their commitments.

#### **2.4 Organizational Performance**

This is measured by how an organization realizes its objectives, including increasing productivity and reduction of inventory in the short-run and increasing market share in the longer duration. Performance in procurement is linked to resources having naturally different levels of efficiency that enable firms to deliver in a better way to their customers at a given cost or have the same benefit at a lower cost. Organizational performance here is compared to performance of other organizations in the same industry. Organizational performance can be measured using return on investment and increase in market share.

Specifications and procurement highly depend on each other. Poor specifications lead to many pitfalls and obstacles for the purchasing department. Quality specifications should include the minimum basic requirements for the consumer, transparent procurement process, assessment of goods to ensure they meet the minimum standards and fair award at the lowest possible cost. Identifying the minimum basic requirements of the end user, allows for a transparent process of procuring products or services and assessment to ensure specifications are met are the least possible total cost.

Savings in procurement are achieved through better supply chain management and professionalization of the procurement function within organizations. Procurement activities anticipate requirements, source and monitor supplies and this in turn contributes to better organizational performance. Successful procurement practices are those that meet the end user's requirement and value with the available resources. Manpower with effective management skills who follow ethical purchasing procedures and guidelines will ensure successful quality and service delivery to all the stakeholders; for this to be achieved, objectives have to be clear and highest quality standards maintained. Proper qualifications of staff in the procurement department assists in the drafting of correct specifications, this in turn will ensure the organization receives the better quality products.

A system of procurement is termed to as an essential element of supply chain system in any given institution. Usually, procurement process of an organization includes operational and

strategic processes as priorities in operations of the two entities which tend to differ (Turban, Lee, King and Chung, 2000). Products of procurement, management of supplier, requisitions of purchase orders as well as growth are among the key activities which are linked in procurement strategies. Most organizations decentralize their procurement tasks through procurement processes which work hand in hand with strategies that are in the center of the processes of procurement. For a company to group together practices of purchasing, procurement will help to consolidate what will lead to greater discounts and better service from suppliers, the information acceleration found among the suppliers and buyers, reduction in hours administration, leaving them with more time to carry out duties, quickly respond to stiff competition in the entrants of new markets therefore improving the possibilities of championing new enterprises (Eng, 2004). Managing function of procurement effectively pioneers system performance in attaining its presumed goals of private public and sector.

Operationally, good procurement systems help in improving bettering precautions and auditing by making it possible for auditors and staff to countercheck and trail order transaction via the system, delivery time shorten by in terms of time cutting on delays mail documents, elimination of obstacles on time zone, since the procurement usage can be applied regularly, and therefore reducing levels of inventory, thus inventory costs. Chong and Ooi, (2008) assert that a procurement process which is termed to be well prepared and implemented increase the possibilities to organizations' inventories reduction, encompass good services to customers, cost reduction as well as aid fast turns of inventory. Among the major procurement benefits are through the condition of short-range goals leading to productivity increase and inventory decline as well as less lead time. In relation to durable goals, the significance of these factors is responsible in expansion of market share plus integration of outside procurement activities (Li, Ragu-Nathan, Ragu-Nathan & Rao, 2006).

In addition, procurement helps to labor expansion through employee empowerment and improvement of quality of goods to come up with business rights to workplace (Johnson & Klassen, 2005). Performance of organization is measured through products and services quality, customer satisfaction, performance in market, innovation services, and relationships of employee (Delaney and Huselid, 2006). On the other hand, Hoque and James (2000) research on performance of organization related to balanced scorecard, explained that assessment of performance of organizations is done based on investment returns, sales margin, utilization capacity, product quality and customer satisfaction. In all the performance measures,

procurement practices have a positive relationship or generally affect the level of organizational performance.

According to Wittig (1999) improvements in public procurement systems can have direct and beneficial effect on a country's overall economic situation. In most countries a large part of government resources are consumed on procurement of goods, services and works that's required in government departments ( Basheka & Tumutegyereize, 2010).

Measuring the performance of the purchasing function yields benefits to organizations such as cost reduction, enhanced profitability, assured supplies, quality improvements and competitive advantage as noted by (Basheka & Bisangabasaija, 2010).

#### **2.4.1 Staff Competence**

Competency is defined as a capability, ability or an underlying feature of an individual that's casually associated to effective or superior performance. Competencies refers to having sufficient knowledge and skills that enable's a person to act in diverse situations (Aketch & Karanja, 2013). Competency also refers to applied knowledge and skills, performance delivery and behavior required to get things done very well (Armstrong & Baron, 1995). According to Russell (2004) in public procurement, professionalism relates to the education levels, workforce qualifications and also the professional approach regarding how business activities are conducted.

Banda (2009) posited that many procuring organizations lack competent staff critical to good procurement process management. To improve and contribute to the productivity of organizations, there's need for human resource extensive external training. Moreover the study further shows that there are clear merits in ensuring that professional staff deal with suppliers and that approaches are handled well. Low level of competence among procurement staff was a major setback to improving the system (Public Procurement Oversight Authority, 2007).

It is important to optimize employees' contribution to the aims and goals of organizations so as to sustain economic growth and eventually effective performance. Technological developments and organizational change have led some employers to realize that success is reliant on the employees skills and abilities and this means considerably and continuously investing in training and development.



## **2.5 Purchasing Ethics**

The study establishes the level of integrity in the procurement and finance department. The elevation of procurement as a core task empowers purchasing managers to spend huge amounts of money in the purchase of products and services. This has in turn presented a range of moral predicaments concerning dubious procurement procedures. The research examines the proactive measures taken by the company to prevent any unethical practices in the procurement and the finance departments. Good ethical practices enhance an organization's integrity and reputation, it also creates relationships that are mutually beneficial with fair practice and trust.

The purchasing process must be done in an ethical manner by being fair to all involved.

Compliance with rules and all set guidelines should be mandatory. Employment of professionals in the procurement department will go a long way in making sure ethical standards are followed. Lack of professionalism such as poor record keeping and inadequate control measures hinders the implementation of ethics in purchasing. Purchasers should be informed of the company's ethical stand through purchasing policies and the same encouraged through incentives and disincentives, to act ethically when faced with purchasing dilemma. These will greatly affect purchaser's perceptions in these situations and promote professionalism.

Gift giving in Ethiopia is a common practice and therefore making it difficult to differentiate between a bribe and a gift. Lack of clear ethical guidelines also contributes to unethical behavior, lack of top management support, limited resources and the political environment may also contribute to unethical behavior. Managers are more likely to integrate ethics in decision making when there's a strong internal culture combined with training and also when there is pressure from stakeholders to do so. Managers should avoid conflict of interest when giving or receiving gifts and when using company resources for non-business related activities.

## **2.6. Empirical Review.**

It appears that during the past few years purchasing has begun to play an ever more important role in the strategy of the firm Ellram, (1994); Carter and Narasimhan, 1996). In order to survive, managers have begun to rethink their competitive priorities and their value chain. Increasing numbers of organizations have recognized that effective purchasing holds the potential to transform their competitive performance for the better. It is generally agreed that purchasing has evolved from a clerical buying function into a strategic business function that contributes to the competitive position of companies Ellram, (1994); Carter and Narasimhan, 1996).

A Study Regarding the assessment of procurement administration practice And challenges At Addis Ababa Science and Technology University was made by Fekadie Andargie (2018) to assess the procurement administration practice at Addis Ababa Science and Technology University. The study was conducted to assess procurement process management, institutional procurement structure, institutional capacity and buyer supplier relationship and communication on procurement performance. Descriptive research design was used in executing the study, and quantitative and qualitative data was collected related with the extent of Addis Ababa Science and Technology University procurement practice using structured questionnaires. The targeted group of the study was administration staffs who are linked with the process, function and decision making of procurement. 60 samples are taken from administration staff. The sampling technique was purposive sampling. The study used both primary and secondary source of data to achieve its objective. To collect relevant data, structured questionnaire and personal interview was conducted. The collected data was analyzed using descriptive statistics. The result indicates that there is a limitation regarding the preparation of annual purchasing plan, description of specification, terms of reference and bill of quantity, long delivery time to receive items, lack of adequate and competent employees in the staff and absence of using e-procurement systems that reduce the problem of efficiency, effectiveness and value for money. The study recommended that the procurement department is advised to carry out periodic market research and prepare proactive procurement plan, and the procurement department is advised to use information technology tools like e procurement. Internal user section should describe their needs early and prepare clear specification, bill of quantity and terms of reference.

A study made by Asfaw Tsegate (2017) regarding the Analysis of International Procurement Practices and Challenges: The Case of Addis Ababa University was done to investigate the

performance of international procurement practice in the case of Addis Ababa University. To gather information open and close ended questionnaires were prepared and distributed to purposefully selected respondents from procurement and related offices staff of the AAU including judgmentally selected requesting Unit managers. Further, semi- structured interview was conducted with each selected staff and top level and experienced Procurement managers. In addition secondary sources also have helped the data collection. Methodologically, this study was designed to be descriptive. The major findings of the study indicates that the international procurement practice is not well performed by End users, Procurement staffs, suppliers and stakeholders of AAU Procurement who are participating directly or indirectly in the international procurement of the University. The researcher recommended to the Management of AAU and specially the procurement directorate to create opportunities for appropriate training, establish organized marketing research department, introduce E-procurement and automated data base systems, to create long term strategic supplier relationship for strategic items through establishing a suppliers list registration system , create win-win and smooth relationship with suppliers, to create good relationship and awareness among AAU Procurement, End Users, suppliers and the stakeholders using awareness creation events, and to develop conducive organizational structure in the End Users departments.

Mairura and Ombui, conducted a study on Effects of Procurement Practices on the Performance of Commercial State Owned Enterprises in 24 Nairobi County. The main purpose of the study was to establish the effect of procurement practices on performance of commercial state owned enterprises in Nairobi County. The study adopted a descriptive survey design. Primary data was collected using questionnaires targeting managers in Finance, Procurement, Production and Sales and Marketing departments in each enterprise. The study findings revealed that buyer-supplier relationships, supplier selection procedures, organizational capacity and procurement process management practices had a strong impact on the performance of commercial state owned enterprises studied. The study recommends that all commercial state owned enterprises must implement efficient procurement practices in order to become more efficient in their operations and overall service delivery to their customers.

Odhiambo and Sammy Odari, conduct a research entitled as Effects of Centralized Purchasing on Organizational Efficiency. The main purpose of the study was to investigate the effects of centralized purchasing on organizational efficiency. The researchers used descriptive research design. Based on the study findings it was concluded that all the identified independent

variables affected the independent variable in a large extent. Inventory control was found to affect efficiency of the organization and that the organization does not experience stock out. Further it was concluded that the organization has a well-structured inventory management control system. The study concluded that the organization had introduced a centralized purchasing system where this implies that the organization has adopted a centralized procurement in its operations where majority of the respondent indicated that centralized purchasing is moderately effective in the organization.

Odhiambo and Theuri, conducted a research on effects of Public Procurement Processes on Organization Performance. The general objective of this study was to analyze the effects of public procurement processes on organization performance. The study revealed the impact of public procurement process on the organization performance. The study showed a high correlation between stake holder integration and organizational performance as well as a high correlation between human resource skill level and organizational performance. It however showed a weak correlation between suppliers' management and organizational performance.

Empirical evidence indicates that firms can indeed obtain competitive advantage by managing supplier relations Paulraj et al, (1997). Rwoti (2005) found that 60% of Kenyan manufacturing firms measure the efficiency and effectiveness of their procurement process. As regards the performance measurement systems used in measuring procurement performance the study shows that 66.7% of large manufacturing firms in Nairobi use the non-traditional performance measurement systems in measuring their procurement performance. The study further revealed that these firms measure their procurement performance based on varied dimensions and indicators. Those who measure also showed that they enjoy various benefits, which their counterparts may not be enjoying. On the other hand, the study found out that many firms encounter various challenges, which in a way hamper their effort to sustain continuous and objective procurement performance measurement. Such challenges include lack of professionalism in procurement, lack of defined measurement indicators and poor data management systems.

Nantege (2011) researched the effect of procurement management on the financial performance of banks in Uganda with a case study of FINA Bank Uganda Ltd. Specifically the study reviewed procurement planning, controls and monitoring and how they affected the performance of banks. It was hypothesized in the study that procurement planning, controls and monitoring positively affect the performance of banks. The key findings of the study

indicated that the three procurement management attributes i.e. Procurement planning, controls and monitoring positively affected the performance of the bank. This was because there were significant relationships that were established from the study between these variables and the financial performance of the bank.

Ayitey, (2012) investigated the extent to which the implementation of the Public Procurement Reform affect the performance of public entities. This study explores the major issues involved in public procurement in Ghana and analyses the potential impact of this reform on public procurement organizations practice. The finding shows that there is relationship between performance and principles of compliance within the public procurement reforms.

Ngugi and Mugo (2012) did a study on the internal factors affecting procurement process of supplies in the public sector; a survey of Kenya government ministries. The findings revealed that accountability, ICT adoption and ethics affected procurement process of health care supplies in the public sector to a great extent. The study therefore recommended that adequate controls should be put in place reducing opportunities for corruption. Kumar (2005) conducted a study on procurement performance measurement systems in the health care industry. The results of the study showed that there is no one method that covers every purchasing department in any organization, and a number of key measures were found to be common in evaluating performance, these include, cost saving, vendor quality, delivery metrics, price effectiveness and inventory flow. Although these key measures are common, the weight placed on these measures was by no means uniform and will vary between industry to industry and business to business. In addition, the importance of these measures to the overall effectiveness of a purchasing department will change over time and therefore need to be assessed and modified on a periodic basis. For a public entity in a developing country to conduct procurement performance there are numerous challenges that are encountered including: many ways of measuring performance that may be in use, most measures are irrelevant, there is no way of standardizing the measurement and conducting performance measurement is costly Kakwezi et al (2010). The reasons for these challenges were given by center for excellence London, (2006) as being inaccurate information, lack of link between procurement measures and corporate objectives, measurement of procurement performance is regarded as an overhead and not an integral part, people do not understand the benefit of measuring procurement performance and interference of stake holders and mainly the measures were developed in a different environment.

Mamiro (2010) in his findings underscores these facts and concludes that one of the major setbacks in public procurement is poor procurement planning and management of the procurement process which include needs that are not well identified and estimated, unrealistic budgets and inadequacy of skills of procurement staff responsible for procurement.

Similarly, Kakwezi et al., (2010) argue that procurement performance is not usually measured in most procurement entities as compared with the human resource and finance functions. They conclude in their findings that failure to establish performance of the procurement function can lead to irregular and biased decisions that have costly consequences to any public procuring entity. Therefore, this study was conceived by the limited scientific literature documenting the relationship between procurement performance and factors such planning, resource allocations, staff competency and contract management more specifically at Ministry of Energy.

### **2.7. Research hypothesis**

The research was guided by the following research hypothesis

**Hypothesis 1:** Procurement planning has a significant positive effect on performance

**Hypothesis 2:** Supplier selection procedure has a significant positive effect on performance

**Hypothesis 3:** Buyer supplier relationship has a significant positive effect on performance

**Hypothesis 4:** Organizational capacity has a significant positive effect on performance

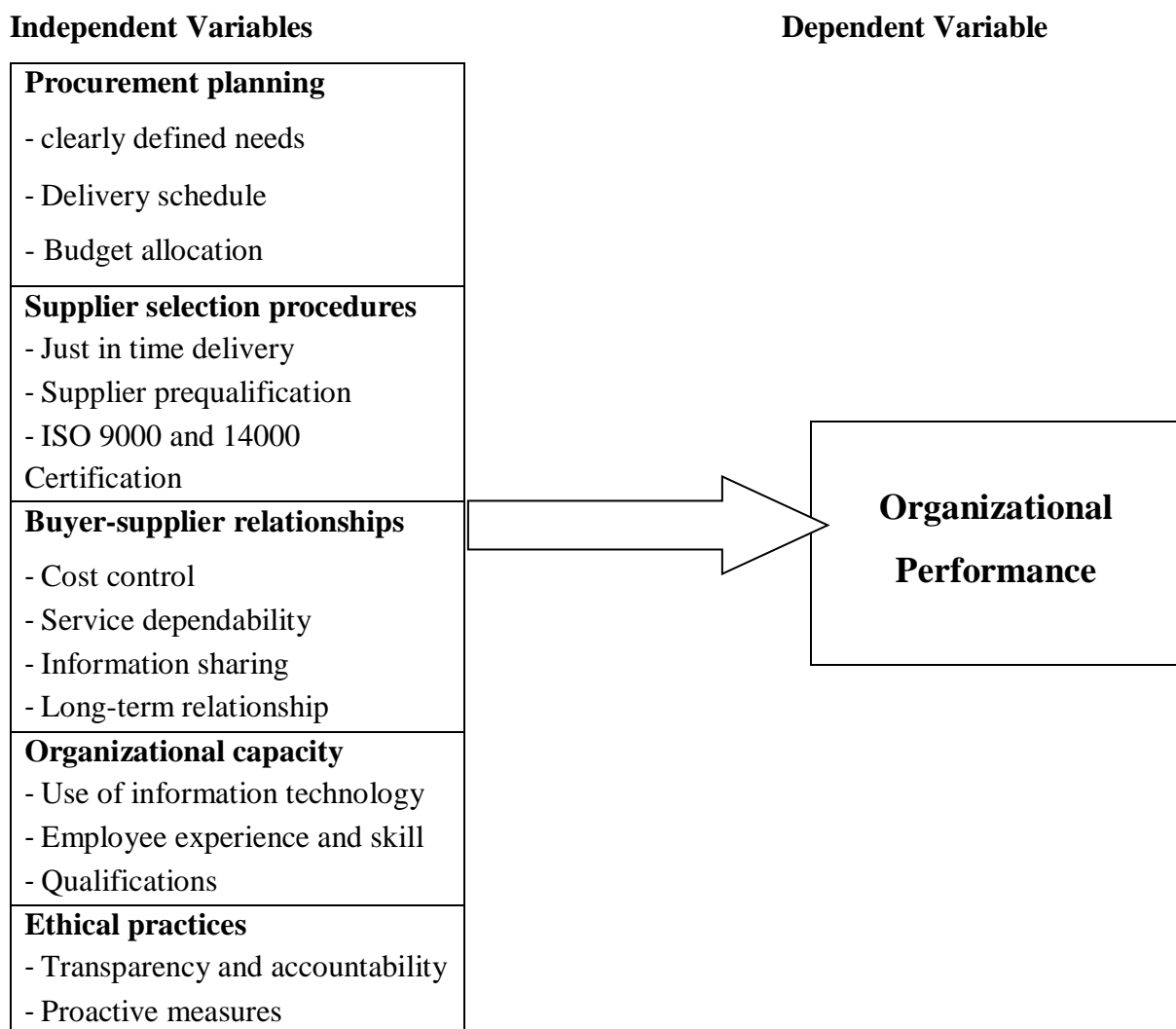
**Hypothesis 5:** Ethical practice in procurement has a significant positive effect on performance

## 2.8. Conceptual Framework

Conceptual frameworks are basic structures representing the systematic characteristics of a system being considered. (Bogdan & Bilken, 2003).

The model of concept can be described as a group of variety of principles and ideas retrieved from fields that are relevant to enquiry and structure usage to a presentation of subsequent. Conceptual framework is used to show the relationship between the independent variables and dependent variable.

**Figure 2. 1.** Conceptual Framework



**Source:** (Rono Thomas 2017; Mustefa, M., 2014) and modified by the researcher.

## **CHAPTER THREE**

### **RESEARCH DESIGN METHODOLOGY**

This chapter has discussed the methodology that was used during the data collection, analysis and interpretation of data. It has also discussed the description of the study area, the research design, types and source of data, target population, sampling design, and methods of data analysis.

Research methodology can be described as the framework associated with a particular set of assumptions that can be used to conduct research (Leary, 2004). Research methodology also involves considering the methods of data collection and the theories and concepts underpinning the research topic.

#### **3.1 Study Area**

The study was conducted in EABSC located in Lideta Sub-city, Addis Ababa, Ethiopia among the permanent employees who are working there. EABSC covers an area of about 2000 square meter. According to the employee payroll of EABSC in 2020, the total employee of EABSC in Addis Ababa plant is 1369(both permanent and contract employees). 1356 permanent and 13 contract employees.

#### **3.2 Research Design**

Research methodology is a blueprint to attain the research objectives and answer research questions adequately. It is a master plan in which the researcher specifies methods and procedures of collecting and analyzing the necessary data including specifying the source of data that was used. In this part, the researcher has explained the logic behind the selected methods and techniques to manage the study. In addition, it is a place where the researcher checks the appropriateness of the data to be collected to solve the intended problems. The choice of research design fundamentally depends on the nature of the problem; the knowledge already available about the problem; and the resources available for the study (Kothari, 1985). The main objective of this research was to examine the effect of procurement practice on organizational performance a case of EABSC. To achieve this objective, explanatory type of research design was used. The research method can be considered to be very effective in answering research questions by using both the quantitative and has triangulated with qualitative approach separately. Therefore, by using both methods it can capitalize the strength of quantitative and qualitative approach and remove any biases that exist in a single research approach.



### 3.3 Target Population and Sample Size Determination

Population refers to the full set of cases from which a sample is taken Saunders (2009), it refers to the larger group from which individuals are selected to participate in a study.

The study populations was drawn from all permanent employees of EABSC those are working at head office, Addis Ababa city. The reason for selecting all employees is that directly or indirectly will be affected by the performance of the purchasing function as all departments are users of the purchased commodities to attain their departmental goals which leads to the overall of performance of the company. There were 1369 employees working in head office, Addis Ababa. From them 1356 employees are permanent employee the rest of 13 are contract employees, the population has focused on the permanent employees only, and to be confident the research quaternaries were filed properly

According to Kothari (2006), sample size refers to the number of items to be selected from the universe to constitute a sample.

The desired sample size was 177. This was calculated using the following sample size determination formula suggested by (Yamane, 1967)

$$n = N / (1 + N (e)^2)$$

#### Where

N = the population size =1356 n = sample size

e = the acceptable sample error = + 7

Given confidence level of 93% and precision rate of  $\pm 7$  percent

The total population of EABSC found in head office are 1356. So,  $n=1356/$

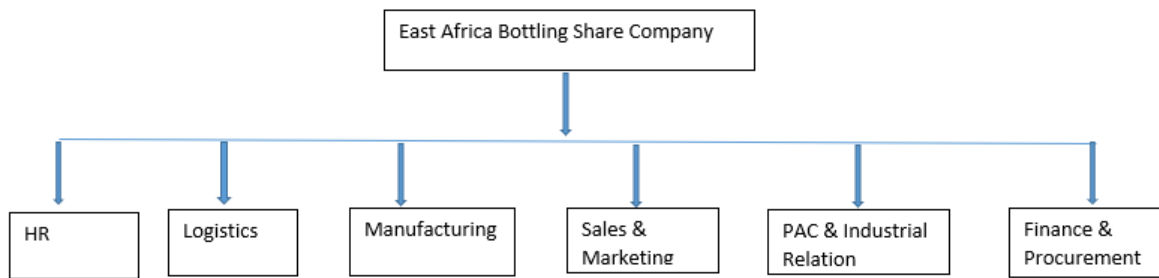
$$(1+1356(0.07)^2) = 177$$

### 3.4. Sampling Techniques

According to Prabhat and Meenu (2015), sampling is the process of selecting a sample from the population. For this purpose, the population was divided into a number of parts called sampling units. The study has adopted stratified sampling methods. There are six divisions in EABSC Addis Ababa where the researcher proportionally allocated the sample size to each division because the number of population in each stratum is different. Then the researcher has used simple random sampling from each division

A total of 1369 employee are working in head office, Addis Ababa. 1356 workers are permanent and the rest of 13 are contract. The researcher has focused only on the permanent employees to collect relevant data for the study.

**Figure 3. 1. Divisions of Departments in EABSC**



The total number of employees are 1356, the total sample size was 177 and the sample size in each division were proportionally calculated by the formula developed by **Stephanie Glen**

$$n_i = (n/ N) *N_i,$$

**Where**

n= sample size, N total population,

N<sub>i</sub>=total population in each stratum and

n<sub>i</sub>=sample size in each stratum.

**Table 3. 1. Stratified population of EABSC**

SN	Division	No. of Employee	Stratified Sample Size
1	HR	15	2
2	Logistics	469	61
3	Manufacturing	567	74
4	Sales & Marketing	212	27
5	Finance & Procurement	89	12
6	PAC & Industrial Relation	4	1
	<b>TOTAL</b>	<b>1356</b>	<b>177</b>

**Source:** Employees' Payroll (April. 2020)

### 3.5 Data Collection Tools

For this research, structured questionnaire for quantitative were designed, distributed and filled by the sampled respondents to collect primary data. Because, the questionnaire is usually cheap, easy to administer a large number of respondents, and normally gets more consistent and reliable results. The structured questionnaire was also employed with five-point Likert ranking scale. Open-ended interview was conducted with concerned management bodies in

order to gather the relevant primary data. The interview part supplemented the study with different perspectives and a comprehensive quality constituent

### **3.6 Source of data**

The research has used both primary and secondary data. The research tool that was used for data collection was questionnaires and interviews. Both the questionnaire and interview has cover all the necessary information needed for the study.

The questioners were distributed for each selected employee, the interview was undertake with the Directors of the divisions, because they are directly involved and responsible for their yearly budget and operational plan of the company.

### **3.7 Data Collection Procedures**

The procedures mentioned below was implemented to get permission and cooperation from the organization in order to distribute the questionnaire and collect data from the sampled employees of the corporation.

- Request the company's permission to communicate the HR department.
- The researcher discussed with the respective departments by briefing the purpose and benefit of the study.
- Distributed the questionnaire to the selected employees and conducting interview with the respective managers at their work place.
- The researcher has gave a week period of time to the respondents in order to have adequate time to fill and collect the questionnaires from each employee.

### **3.8 Data Analysis**

Data analysis is the process of bringing order, structure and meaning to the mass of collected data.

Data analysis usually involves reducing accumulated data to a manageable size, developing, summarizes, looking for patterns, and applying statistical techniques (Donald and William 1994)

The researcher has used Statistical Packages for Social Sciences (SPSS) version 23 to simplify and reduce the error in the data analysis. Frequency in tables and percentages were also used as appropriate to present, analyse and interpret the result of the study.

### **3.8.1 Descriptive analysis**

To analyze the specific objectives which are descriptive in their nature descriptive statistical techniques were adopted. The collected data were analyzed using mean scores, standard deviation, frequency distributions and percentages. The results were presented by frequency distributions tables, charts and graphs based on their appropriateness.

### **3.8.2 Econometrics Analysis**

To analyze the specific objective which deals with examining the effects of procurement practices on organizational performance, the study has used multiple regression analysis along with correlation analysis.

The multiple regression was done to test the magnitude of the influence of the independent variables (Procurement planning, Supplier selection procedures, Buyer-supplier relationships, Organizational capacity and Ethical practices) have on the dependent variable (Organizational Performance). The study has also used Pearson correlation coefficient to test the presence, magnitude and direction of relationship between the independent variables and the dependent variable

The generalized linear modelling technique known as Ordinary Least Squares (OLS) model was used to indicate the major dimensions that influence the organizational culture. According to Pohlman (2003), OLS models the relationship between a dependent variable and a collection of independent variables.

Before estimating any model, it is a must to check the validity of the model properly. To this end all the necessary assumptions were tested initially to make sure if the data is valid to use multiple regression as analytical tool.

In regression model the relationship between the dependent variable and the independent variables is expressed as a linear combination of the independent variables plus an error term. Following Greene (2003), the multiple linear regression models is specified as:

$$Y_i = \alpha_0 + \sum \beta_i X_i + \epsilon$$

**Where**  $Y_i$  – Dependent Variable

$\alpha_0$  - is the intercept term

$\beta_i$  - is the coefficient of  $x_i$

$X_i$  - are the explanatory variables

$\epsilon$ - The error term

Therefore, the model for this study was presented as follow

$$\text{OP} = \alpha_0 + \beta_1 (\text{PP}) + \beta_2 (\text{SSP}) + \beta_3 (\text{BSR}) + \beta_4 (\text{OC}) + \beta_4 (\text{EP}) + \epsilon$$

**Where:**

**OP** - Organizational Performance

**PP** - Procurement Planning

**SSP** - Supplier Selection Procedures

**BSR** - Buyer-Supplier Relationships

**OC** - Organizational Capacity

**EP** - Ethical Practices

### **3.9 Exclusion Criteria**

Those permanent employees who were not available during data collection period after revisit of the working area due to sick leave and training were excluded.

### **3.10 Ethical Consideration**

This research work strictly adheres to the ethical principles with respect to the data used in the work. First, the researcher did not present the work of others as if its own or do not fail to give appropriate credit for the work of others through citations. In addition, respondents were assured the information they provided will be confidential and only be used for exclusively for an academic purpose which has helped the researcher to collect bias-free response and has allowed respondents a room to express their idea with full of freedom and much effort that has enabled to keep the response confidential. Generally, the whole process of the research was controlled to be within acceptable professional ethics.

### **3.11 Validity and Reliability**

#### **3.11.1 Validity**

Validity is the degree to which an instrument measures what is intended to measure or how truthful the research results are (Lewis, 1999). Within this general definition of validity, there are several types of validity. For relevancy purposes, the researcher was interested in two of these types; content validity and external validity. Content validity relates to the extent to which the design of a research instrument covers the extent and depth of the topics it is intended to cover, and it is appropriate for the research questions (Lewis, 1999). To maintain the content validity of research's questionnaires, questions were formulated based on information gathered during the literature review. External validity relates to the extent to which study findings can be generalized (Twycross, 2004).

With regard to the validity of the questionnaire, the study has tested both content and faces validity. The content validity was checked by reviewing the test items with the main advisor assigned. He was requested to indicate whether or not he agrees that each item is appropriately matched to the content area indicated. Items that he identify as being inadequately used to conduct the study, or flawed in any other way, was revised.

Apart from the content validity, the face validity was also measured by sending the questionnaires for an individual who conduct a study around similar area in prior times. He was requested to forward his opinion whether or not the items in the questionnaire are measuring what they are supposed to measure.

Furthermore, necessary consultation with professional translator was made to crosscheck if the version translated in Amharic language perfectly matches with the original English language questionnaire. By considering their opinion certain appropriate modifications were made.

Finally, to maintain the external validity all the questionnaires were distributed to the responders by the researcher personally. All respondent's questionnaires were completed in the presence of the researcher to prevent the chance of giving questionnaires to other people to complete them on their behalf.

### **3.11.2 Reliability**

Reliability refers to the degree of consistency with which an instrument measures the attribute it is designed to measure. Creswell (2009) considers the reliability of the instruments as the degree of consistency that the instruments or procedure demonstrates. According to Morgan et al. (2004), Cronbach's Alpha is a very common measure of reliability (internal consistency) in the research literature. Furthermore Catherine (2007), raises the need to pilot the questionnaire once it is constructed.

Moreover, Cronbach's alpha coefficient is an appropriate method to analyze the reliability of questionnaires that use Likert scales (Lewis, 1999).

From a statistical point of view, in order to get an acceptable level of internal consistency, correlation coefficient should be significant at 95% confidence level and Cronbach's alpha coefficient should not fall below 0.7.

The Cronbach's alpha coefficient test was conducted to measure the internal consistency reliability. Before distributing the questionnaire to the selected respondents, a pilot-test exercise was conducted by using Cronbach's Alpha device.

Accordingly, to check the reliability of questionnaire, internal consistency test (reliability test) was conducted by taking 10% of the total sample size which is 18 respondents (10% of 177 total sample) and the proper test of reliability referred as Cronbach's alpha coefficient was computed. Researcher like (Cohen, 2007) suggests that an alpha value greater than 0.67 is reliable but the Nunnally's (1994) recommended standards (Cronbach's alpha  $\geq 0.70$ ) is also considered in most social studies to ensure that they are reliable indicators of the constructs (Andy, 2005).

As discussed in the literature review, variables used in the study are taken from review of related literature so that questionnaires for the study are adopted from previous studies made around similar areas but different case areas. As Uma (2000) suggests adoption of items from previous studies is advisable because of the approval of content validity and criterion related validity of these items by previous scholars. Hence, the internal validity of the instruments used in this study is guaranteed.

As table 3.2 shows, the test was made to the five categories of the questionnaire by undertaking a pilot study on 10% of the total sample size (18 samples) and was considered as

an overall reliability measure, therefore for the first category which is **Procurement Planning** was found to be 0.816, the second category which is **Supplier selection procedures** score a value of 0.744, **Buyer-supplier relationship** 0.816, **Organizational capacity** 0.890, **Ethical Practices** 0.709 and finally the dependent variable **Organizational Performance** which is scored 0.712. Finally, the average Cronbach's alpha calculated for all items in the five categories was found to be 0.781 or 78.1%. This result confirms that the items identified in each category are cohesive enough to adequately represent a single concept; therefore it indicates the instrument is fairly reliable.

**Table 3. 2.** Cronbach alpha value of the six categories

No	Categories	Number of items	Cronbach alpha value
1	<b>Procurement Planning</b>	4	0.816
2	<b>Supplier selection procedures</b>	5	0.744
3	<b>Buyer-supplier relationship</b>	5	0.816
4	<b>Organizational capacity</b>	6	0.890
5	<b>Ethical Practices</b>	6	0.709
6	<b>Organizational Performance</b>	5	0.712
<b>Average Cronbach Alpha value</b>			<b>0.781</b>



# **CHAPTER FOUR**

## **ANALYSIS AND DISCUSSION**

### **4.1.Introduction**

This chapter deals with the presentation, analysis and interpretation of data collected through questionnaires and secondary sources. The questionnaires were distributed to sampled permanent employees of EABSC Addis Ababa. In conducting the study, 177 questionnaires were distributed out of which 144 were returned and answered which makes the response rate to be 81.4%.

Since the nature of the study objectives and questions requested the use of descriptive and inferential statistics, the findings of the analysis are described using descriptive statistics and inferential statistics to address the research questions and meet the study objectives.

### **4.2.Demographic characteristics of the respondents**

This part of the analysis discusses about the general demographic characteristics of the sample respondents. It provide information about the respondents' gender, age, educational background, work experience and their current competency. These questions were included in the questionnaire due to their potential value to probe similarities or differences in the responses to various sections of the questionnaire. The information obtained from the questions contained in the demographic characteristics section is presented and discussed below.

The first item under the table 4.1 below shows the results of sample employees' gender distribution. According to the table from the total of 144 samples, 104 (72.2%) of them were found to be males and the remaining 40 (27.8%) of them were females. From this data, it can easily be observed that most of the organization's employees are males.

Regarding with the age of the respondents, out of the total respondents, majority of them constituting of 70 (48.6%) are between the age of 31 – 40 years, followed by 65 (45.1%) respondents belong in the age group of below 30 years. 7 (4.9%) of them are found to be between 41 - 50 years, and the remaining 2 (1.4%) of the respondents are aged above 50 years. From this result one can cascade the conclusion that, most of the respondents are adults aged between 31-40.

As far as their educational status is concerned, as depicted in table 4.1, 89 (61.8%) of the respondents are undergraduate degree holders followed by 48 (33.3%) of the respondents with Postgraduate Degree. The remaining 7 (4.9%) were found to acquire diploma.

**Table 4. 1. Gender, Age and Level of Education of Respondents**

Variables		Frequency	Percentage	Cumulative percentage
Sex	Male	104	72.2	72.2
	Female	40	27.8	100.0
	Total	144	100.0	
Age	Less than 30 Years	65	45.1	45.1
	31 - 40	70	48.6	93.8
	41 - 50	7	4.9	98.6
	Above 50	2	1.4	100.0
	Total	144	100.0	
Level of Education	Diploma	7	4.9	4.9
	Undergraduate Degree	89	61.8	66.7
	Postgraduate Degree	48	33.3	100.0
	Total	144	100.0	

Source: Questionnaire, 2020

The fourth demographic variable deals with the assessment of years of experience in EABSC. The finding shows that

**Table 4. 2. Work Experience**

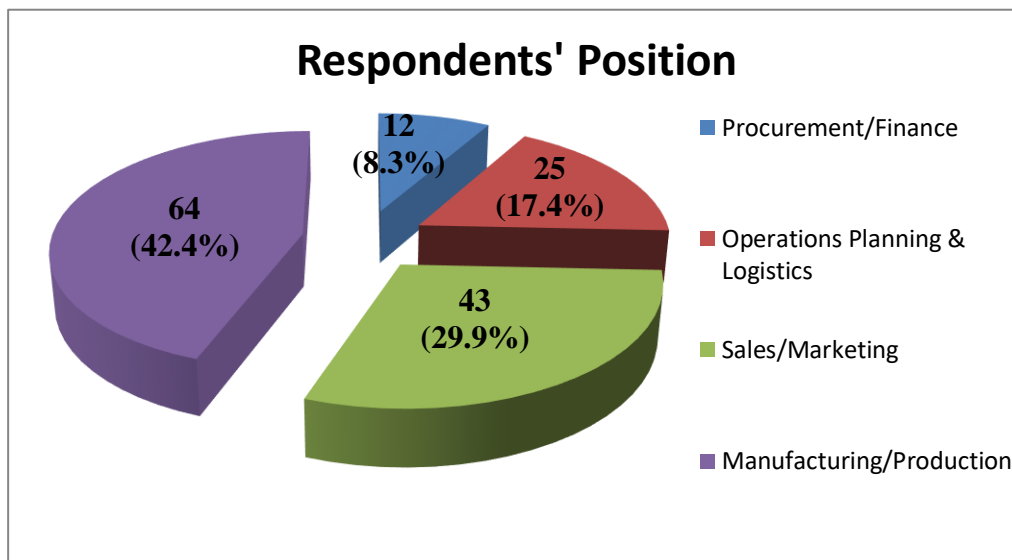
	Frequency	Percent	Cumulative Percent
Valid 0 - 5 Years	70	48.6	48.6
6 - 10 Years	64	44.4	93.1
11 - 15 Years	10	6.9	100.0
Total	144	100.0	

Source: Questionnaire, 2020

As shown in the table 4.2, majority of the respondents possess 0-5 years with a proportion of 48.6%, whereas 44.4% of them have an experience of 6-10 years with EABSC. The remaining 6.9% work in EABSC for 11-15 years.

The Last part of the demographic section deals with the department respondents' belong. For this study eight functional areas were used and the result is shown in the lower bar chart.

**Figure 4. 1:** Functional Department of Sampled Respondents



**Source:** Questionnaire, 2020

As shown in the chart most majority of the sampled respondents were found to be belong in the department of production or manufacturing. Whereas 43 (29.9%) work as sales in the department of marketing. 25 (17.4%) of them are found in operations planning and logistics department and the remaining 12 (8.3%) work in the procurement and finance department in EABSC.

### 4.3. Analysis of the Specific Objectives

#### 4.3.1. Introduction

Regarding the descriptive interpretations for variables or dimensions used on the study;

5 = Very Great Extent; 4 = Great Extent; 3 = Moderate Extent; 2 = low Extent and 1 = very low Extent, were used to measure their response. The mean level of agreement between the group is categorized on the scale; VGE = Very Great Extent (4.51 or greater); GE = Great Extent (3.51 – 4.50); ME = Moderate Extent(2.51 – 3.50); LE = low Extent (1.51 – 2.50); and, NE = Very low Extent (1.49 or less).

#### 4.3.2. Descriptive Analysis Procurement Planning.

The primary foundation of work organization is provided through proper planning of projects as well as allocation of individuals’ responsibilities. Planning is comprised of the identification of the main purpose, scope definition, requirements of customers, and identification of activities of procurement, time estimation which can be based on delivery of goods and services as per cost quoted and scheduled, responsibilities assignment among other many involvements.

This part of the analysis discusses the procurement planning of EABSC specifically. In order to better describe the planning of procurement, the study has used four items which collectively are believed to measure the activity of procurement planning. The summarized finding and its interpretation is presented as follows.

**Table 4. 3: Procurement Planning**

Question		Frequency	Percent	Cumulative Percent
<b>Needs are clearly defined by the head department</b>	Very Low Extent	2	1.4	1.4
	Low Extent	11	7.6	9.0
	Moderate Extent	38	26.4	35.4
	Great Extent	67	46.5	81.9
	Very Great Extent	26	18.1	100.0
	Total	144	100.0	
<b>Plans are always based on timely production schedule</b>	Very Low Extent	0	0	0
	Low Extent	17	11.8	11.8
	Moderate Extent	40	27.8	39.6
	Great Extent	64	44.4	84.0
	Very Great Extent	23	16.0	100.0
	Total	144	100.0	
<b>Funds are availed based on the budget</b>	Very Low Extent	0	0	0
	Low Extent	21	14.6	14.6
	Moderate Extent	37	25.7	40.3
	Great Extent	59	41.0	81.3
	Very Great Extent	27	18.8	100.0

	Total	144	100.0	
<b>Top management is involved in the procurement planning</b>	Very Low Extent	2	1.4	1.4
	Low Extent	11	7.6	9.0
	Moderate Extent	31	21.5	30.6
	Great Extent	71	49.3	79.9
	Very Great Extent	29	20.1	100.0
	Total	144	100.0	

Statistics						
		Needs are clearly defined by the head department	Plans are always based on timely production schedule	Funds are availed based on the budget	Top management is involved in the procurement	Grand mean for Procurement Planning
N	Valid	144	144	144	144	
	Missing	0	0	0	0	
	Mean	3.7222	3.6458	3.6389	3.7917	<b>3.69965</b>
	Std. Deviation	.89634	.88869	.95061	.89969	<b>0.908833</b>

**Source:** Questionnaire, 2020

As the above table shows there are four items used to understand procurement planning in EABSC. The first item portraits if needs are clearly defined by the head department before planning of procurement is undertaken. The finding depict that majority of the respondents 67 (46.5%) show their agreement that needs are clearly defined by the head department at great extent, which is followed by 18.1% replying as very great extent. Whereas 11 (7.6%) and 2 (1.4%) reported as low extent and very low extent respectively. The remaining 38 (26.4%) were found to replay as moderate extent. The mean score for the first item was found to be 3.7.

As result based of the response of the majority, the employees' of the EABSC believe there is the practice of defining need by the head department while involving in procurement of raw materials or other resources that are used to support the operation of the company.

The second item aims to examine if plans are always based on timely production schedule in the company. The finding shows majority of the respondents, which accounts for 44.4% and 16.0% reported as great extent and very great extent respectively pertaining plans being made on the bases on timely production schedule. To the other side this finding also revealed 11.8% regard the planning being always made based on timely production schedule as low extent. The remaining 25.7% replayed as moderate. The mean score was 3.65.

From the finding it can be easily seen that majority of the workers of EABSC advocate the planes for procurement are always made according to the timely production schedule.

The third item deals with the assessment of if funds for procurement are availed based on the budget. As the above table illustrates, a cumulative percentage of 59.8% advocate that for procuring materials and resources the fund necessary are provided based on the budget of the company. To the other extreme 14.6% of the participants regard the item as low extent. The remaining 25.7% were found to be moderate about it. The mean for this item was 3.64.

Every procurement process should always be supported by the established budget of the company. Accordingly the finding revealed that the company provides the fund for procurement based on the budget established.

Lastly, the forth item assesses if top management is involved in the procurement planning. As a result the collected data with this regard shows that, 49.3% and 20.1% gave their level of agreement as great extent and very great extent accordingly regarding the involvement of top level management in the procurement process.

While 7.6% and 1.4% of them regard the involvement of top management as low extent and no extent respectively. The remaining 21.5% were found to have moderate agreement, as a result regarding the participation of top managers in the procurement process of EABSC holds a mean score of 3.8.

This shows that how much the top level managers closely control the process of procurement by actively involving in the process.

In general, the procurement planning variable of the study is found to be practiced in a good manner in EABSC. With an overall mean of 3.7, according to Dane, (2007) the result falls in the category of great extent. This implies the company adopts and follows well established planning process before involving in the procurement of raw materials and resources to be used to manufacture the soft drinks.

#### **4.3.3. Descriptive Analysis of the Supplier Selection Procedures.**

This part of the analysis deals with the assessment of the second variable which is Supplier Selection Procedures of EABSC.

Supplier selection procedure is the steps the company follows to clearly screen the different suppliers of goods they are about procure and select the best supplied capable of providing the required good as per the establisher quality, time and cost.

To measure supplier selection procedure, respondents were requested to scale their feedback to the five (5) questions provided. The finding and discussion is presented as follows.

**Table 4. 4: Supplier Selection Procedures**

<b>Question</b>		<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
<b>Contacting previous customers to confirm supply performance and obedience to contract</b>	Very Low Extent	10	6.9	6.9
	Low Extent	8	5.6	12.5
	Moderate Extent	47	32.6	45.1
	Great Extent	63	43.8	88.9
	Very Great Extent	16	11.1	100.0
	Total	144	100.0	
<b>Possibility supplier will announce bankruptcy prior to satisfying organization requirements</b>	Very Low Extent	7	4.9	4.9
	Low Extent	20	13.9	18.8
	Moderate Extent	54	37.5	56.3
	Great Extent	56	38.9	95.1
	Very Great Extent	7	4.9	100.0
	Total	144	100.0	
<b>Supplier's ability to add delivery on short notice</b>	Very Low Extent	2	1.4	1.4
	Low Extent	13	9.0	10.4
	Moderate Extent	56	38.9	49.3
	Great Extent	61	42.4	91.7
	Very Great Extent	12	8.3	100.0
	Total	144	100.0	
<b>ISO 9000 and 14000 certification</b>	Very Low Extent	4	2.8	2.8
	Low Extent	12	8.3	11.1
	Moderate Extent	51	35.4	46.5
	Great Extent	50	34.7	81.3
	Very Great Extent	27	18.8	100.0
	Total	144	100.0	
<b>Rigorous checks of supplier's capabilities</b>	Very Low Extent	0	0	0
	Low Extent	4	2.8	2.8
	Moderate Extent	53	36.8	39.6
	Great Extent	62	43.1	82.6
	Very Great Extent	25	17.4	100.0
	Total	144	100.0	

Statistics

		Contacting previous customers	Possibility supplier will announce bankruptcy	Supplier's ability to add delivery on short notice	ISO 9000 and 14000 certification	Rigorous checks of supplier's capabilities	<b>Grand mean for Supplier Selection Procedures</b>
N	Valid	144	144	144	144	144	
	Missing	0	0	0	0	0	
	Mean	3.4653	3.2500	3.4722	3.5833	3.7500	<b>3.50416</b>
	Std. Deviation	1.00289	.92744	.82737	.97880	.77098	<b>0.901496</b>

**Source:** Questionnaire, 2020

As the above table shows there are five items used to measure supplier selection procedure of EABSC. The first item asks respondents if there is the trend of contacting previous customers to confirm supply performance and obedience to contract while selecting a supplier. The finding depict that majority of the respondents 63 (43.8%) show reported as great extent followed by 16 (11.1%) as very great extent. Whereas 8 (5.6%) and 10 (6.9%) replied as there is lower extent and very low extent of contacting previous customers to confirm supply performance and obedience to contract respectively. The remaining 47 (32.6%) showed their level of extent as moderate

The analyzed finding shows most employees of the company believe that what there is approach of contacting previous customers to confirm supply performance and obedience to contract while involving in procurement process making the mean score 3.47. .

The second item aims to examine if there is possibility supplier will announce bankruptcy prior to satisfying organization requirements. The collected and analyzed an aggregate response of 63 (43.8%) supporting as great extent and very great extent regarding the possibility of supplier announcing bankruptcy prior to satisfying organization requirements, whereas 27 (18.8%) possess lower or very low extent about it. The remaining 37.5% were found to be unaware about it.

This finding illustrates that, majority participants of the study have the belief that suppliers of raw materials and other resources will announce bankruptcy prior to satisfying organization requirements which is expected from them to satisfy which makes the mean score to be 3.25

Regarding the supplier's ability to made delivery on short notice, the result of the third item summarized in the above table shows that, the lion's share of respondents with a cumulative proportion of 50.7% regard the capability of suppliers to deliver orders in short notice as great



extent and very great extent. But still 10.4% and 1.4% rank it as low extent and very low extent respectively. The rest holds moderate extent about it.

One of the basic requirement in selecting supplier is its ability and willingness to provide orders with in a short notice and at the time it is needed. As a result it can be concluded that the suppliers of EABSC can be regarded as reliable with their ability of delivering orders in short notice with a mean score of 3.47.

The forth item asks, if respondents ruminates the suppliers selected are expected to possess indicators of supplier's quality. As a result the collected data shows that, out of the total sampled participants 34.7% the requirement of offering quality indicators such as ISO 9000 and 14000 as great extent, while 18.8% regard it as very great extent respectively. To the contrary 8.3% and 2.8% of the respondents' reported as low extent and very low extent respectively. The remaining holds moderate extent.

One of the primary requirement in screening and selecting supplier is that the quality of their deliveries. And mostly the quality is measured using international standard quality measurement such as ISO 9000 and 14000. As a result based on the finding it can be cascaded that EABSC is regarded as well considerate when it comes quality of production raw materials procurement with a mean score of 3.58.

The last item assesses regarding the presence of Rigorous checks of supplier's capabilities to provide the items as per the criteria established by EABSC. The collected and analyzed finding of the study illustrates that majority of them (60.5%) replied the company's commitment with the critically checking capacity of suppliers as great and very great collectively. To the opposite side 2.8% of them showed their doubt by replying as low extent. The remaining 36.8% were found in moderation about the rigorousness of the screening process to check suppliers' capability to meet requirements of the company. As a result the mean score of the item was found to be 3.84

In general, when examining the overall supplier selection procedure of EABSC, even though most items receive positive response from the participants, there seems to be negative feedback given by minority of respondents, this signifies there seems to be slight problem gap in the process followed to screen and select the fittest supplier. The overall grand mean of the variable is found to be 3.5.

#### 4.3.4. Descriptive Analysis of Buyer-Supplier Relationships.

Buyer-supplier relationships is the existing business partnership between the buyer and the supplier. In order to achieve a successful supply chain it is required to establish effective management of buyer-supplier relationships. Therefore, in order for buyers and suppliers to reach a more sustainable and successful relationship, both have to realize the benefit they will gain from managing such relation

This part of the analysis deals with the variable Buyer-Supplier Relationships that exist in EABSC. To measure this variable five question items were used.

**Table 4. 5:** Buyer-Supplier Relationships

Question		Frequency	Percent	Cumulative Percent
<b>Conducting joint improvements</b>	Very Small	8	5.6	5.6
	Small Extent	9	6.3	11.8
	Average	38	26.4	38.2
	High Extent	67	46.5	84.7
	Very High Extent	22	15.3	100.0
	Total	144	100.0	
<b>Information sharing</b>	Very Low Extent	9	6.3	6.3
	Low Extent	0	0	6.3
	Moderate Extent	36	25.0	31.3
	Great Extent	76	52.8	84.0
	Very Great Extent	23	16.0	100.0
	Total	144	100.0	
<b>Supplier supervision</b>	Very Low Extent	5	3.5	3.5
	Low Extent	12	8.3	11.9
	Moderate Extent	41	28.5	40.6
	Great Extent	62	43.1	83.4
	Very Great Extent	24	16.6	100.0
	Total	144	99.3	
<b>Turning competitiveness into opportunity</b>	Very Low Extent	10	6.9	6.9
	Low Extent	5	3.5	10.4
	Moderate Extent	46	31.9	42.4
	Great Extent	64	44.4	86.8
	Very Great Extent	19	13.2	100.0
	Total	144	100.0	
	Very Small	2	1.4	1.4
	Small Extent	7	4.9	6.3

<b>Knowing supplier capabilities</b>	Average	29	20.1	26.4
	High Extent	70	48.6	75
	Very High Extent	36	25	100.0
	Total	144	100	

**Statistics**

	Conducting joint improvements	Information sharing	Supplier supervision	Turning competitiveness into opportunity	Knowing supplier capabilities	<b>Grand mean for Buyer-Supplier Relationships</b>
N Valid	144	144	143	144	106	
Missing	0	0	1	0	38	
Mean	3.5972	3.7222	3.6014	3.5347	3.9528	<b>3.68166</b>
Std. Deviation	1.00571	.94938	.97244	1.00289	.84382	<b>0.954848</b>

**Source:** Questionnaire, 2020

The first item was developed to measure if both buyer and supplier involve in conducting joint improvements to build a strong relationship between them. As a result the collected finding shows that respondents with a proportion of 46.5% and 15.3% expressed the effort made as high extent and very high extent respectively. Whereas 6.3% and 5.6% regard it as small extent and no extent respectively. The remaining 26.4% were found to have moderate opinion about it. The corresponding mean score of buyer and supplier relationship was found to be 3.59.

From the analyzed finding it can be inferred that, there exist a commitment from both ends to have strong partnership obtained through joint improvement.

The second item assesses if there is the practice of sharing information between them. Accordingly the collected data reveals that aggregate of respondents (68.8%) support the practice of information sharing between EABSC and the corresponding supplier. To the contrary 6.3% of respondents were found to have no extent about sharing of information. The remaining 25.0% were found to be in the middle.

From this it can be concluded that EABSC understands the importance of sharing information with selected supplier to build a smooth and long lasting relationship with supplier which makes the mean score to be 3.72.

Regarding the presence of supplier supervision in EABSC, the finding of the third item reveals 88 (59.7%) of the respondents showed their support regarding the availability of supervision and following the suppliers activity. To the other extreme 17 (11.8%) showed their doubt

regarding the supervision as lower extent and very lower extent. The remaining were found to be modest. The mean score for supplier supervision was found to be 3.60.

Pertaining the company's attempts to turn competitiveness into opportunity, most majority of respondents (57.6%) reply positively by confirming the company's attempts to turn competitiveness into opportunity. Whereas 3.5% and 6.9 % of the participants' were found to regard it as lower extent and very low extent respectively. The remaining 31.9% were found to consider the attempt as moderate extent. The mean score for the ability and attempt of EABSC to turn competitiveness into opportunities was found to be 3.53.

The last question under buyer-supplier relationships variable asks if EABSC knows the suppliers capacity while establishing relationship. Accordingly the collected data discloses that 73.6% of the participants advocate that the company clearly know the suppliers capacity to supply its demands while engaging in business partnership with them. While small proportion of respondents' (6.3%) showed opposing opinion. From this finding it can be inferred that, the overall effort made by EABSC to know its suppliers better is high making the mean score to be 3.95.

In general the overall grand mean score for buyer-supplier relationships is found to be 3.7. This indicates that when it comes to creating strong and long-lasting relationship with suppliers, EABSC can be considered to be on the right track.

#### **4.3.5. Descriptive Analysis of Ethical Practices.**

Business from a normative perspective approach is explained as practices that emphasize transparent, trustworthy, and responsible personal and organizational policies and actions that exhibit integrity as well as fairness to consumers and other stakeholders. Ethical practice is also required in the procurement practice as it is one part of organization. Good ethical practices enhance an organization's integrity and reputation, it also creates relationships that are mutually beneficial with fair practice and trust. The purchasing process must be done in an ethical manner by being fair to all involved. Compliance with rules and all set guidelines should be mandatory.

To measure ethical practice of procurement, respondents were requested to scale their feedback to the established six (6) questions. The finding and discussion is presented as follows.

#### **Table 4. 6: Ethical Practices**

<b>Question</b>		<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
<b>Strict codes of conduct ensure purchasing procedures are followed</b>	Very Low Extent	6	4.2	4.2
	Low Extent	21	14.6	18.8
	Moderate Extent	28	19.4	38.2
	Great Extent	50	34.7	72.9
	Very Great Extent	39	27.1	100.0
	Total	144	100.0	
<b>Punishing of corrupt behaviour contributes to higher performance by purchasing staff</b>	Very Low Extent	11	7.6	7.6
	Low Extent	25	17.4	25.0
	Moderate Extent	19	13.2	38.2
	Great Extent	44	30.6	68.8
	Very Great Extent	45	31.3	100.0
	Total	144	100.0	
<b>Limits of authority to commit departmental funds are adhered to in the procurement department</b>	Very Low Extent	7	4.9	4.9
	Low Extent	19	13.2	18.1
	Moderate Extent	35	24.3	42.4
	Great Extent	51	35.4	77.8
	Very Great Extent	32	22.2	100.0
	Total	144	100.0	
<b>Conflicts of interest are quickly declared by members of staff</b>	Very Low Extent	4	2.8	2.8
	Low Extent	17	11.8	14.6
	Moderate Extent	39	27.1	41.7
	Great Extent	52	36.1	77.8
	Very Great Extent	32	22.2	100.0
	Total	144	100.0	
<b>Businesses are conducted in an atmosphere of good faith</b>	Very Small	2	1.4	1.4
	Small Extent	6	4.2	5.6
	Average	36	25.0	30.6
	High Extent	59	41.0	71.6
	Very High Extent	41	28.4	100.0
	Total	144	100	
<b>There's confidentiality in dealing with supplier information</b>	Very Low Extent	10	6.9	6.9
	Low Extent	13	9.0	16.0
	Moderate Extent	23	16.0	31.9
	Great Extent	58	40.3	72.2
	Very Great Extent	40	27.8	100.0
	Total	144	100.0	

**Statistics**

		Strict codes of conduct	Punishing of corrupt behavior	Limits of authority to commit departmental	Conflicts of interest	Atmosphere of good faith	confidentiality in dealing with supplier	<b>Grand Mean for Ethical Practices</b>
N	Valid	144	144	144	144	143	144	
	Missing	0	0	0	0	1	0	
	Mean	3.6597	3.6042	3.5694	3.6319	3.9021	3.7292	<b>3.68275</b>
	Std. Deviation	1.14759	1.29668	1.11977	1.04277	.90627	1.16606	<b>1.11319</b>

**Source:** Questionnaire, 2020

As the above table shows there are six items used to measure ethical procurement practice in EABSC. The first item asks respondents if strict codes of conduct ensure if purchasing procedures are followed. The finding depict that an aggregate majority of the 61.8% of the respondents show their positive feedback by reporting strict code of conduct have a great and very great extent in ensuring the following of purchasing procedure. To the contrary a cumulative of 18.8% were found to have doubtful opinion. The remaining 19.4 holds moderate opinion about it. As a result the first item were found to score a mean value of 3.66

Furthermore, with regard to the assessment if punishing of corrupt behavior contributes to higher performance by purchasing staff, majority of respondents with a proportion of 30.6% and 31.3% were found to consider it as great extent and very great extent respectively. But respondents accounting for 17.4% and 7.6% consider it as low extent and very low extent. While the other have moderate extent. Accordingly, this item gained a mean score of 3.60

The third item asked if limits of authority to commit departmental funds are adhered to in the procurement department, the result shows most of the respondents with a proportion of 57.6% expressed their support pertaining the limit of authority to commit departmental funds are adhered to in the procurement department. 18.1% showed their opposition while 24.3% holds moderation.

As a result the item holds a mean score of 3.57.

The next item examines if conflicts of interest are quickly declared by members of staff in the company. As a result the finding reviled that majority of respondents with a proportion of 58.3% of the respondents showed their agreement as great and very great extent making the mean score to be 3.63

The next item assesses if businesses are conducted in an atmosphere of good faith. The finding reveals that 56.3% of the respondents give their affirmative response while 22% oppose the existence of faithful atmosphere to conduct business in EABSC. The fourth item scored a mean value of 3.90.

The last item assesses if there's confidentiality in dealing with supplier information while involving into business with suppliers. The analyzed response shows that 68.1% of the participants agree that there is great and very great extent of keeping information confidentially. But still 22.9% doubt the in confidentiality while dealing with supplier information. As a result, this item obtained a mean score of 3.73.

In general, when examining the overall ethical procurement practice in EABSC, it shows that the respondents regard the procurement practice to be relatively ethical, as a result the overall mean of the variable ethical procurement practice was found to be 3.7. This indicates, most employees regard the EABSC strategic direction and intent to be acceptable.

#### 4.3.6. Descriptive Analysis of Organizational Capacity.

This part of the analysis deals with the analysis of the fourth variable referred as Organizational Capacity of EABSC. To attain this objectives six question item were used and analyzed descriptively accordingly.

**Table 4. 7:** Organizational Capacity

Question		Frequency	Percent	Cumulative Percent
<b>Adopting Information Technology has improved the organization performance</b>	Very Low Extent	5	3.5	3.5
	Low Extent	14	9.7	13.2
	Moderate Extent	17	11.8	25.0
	Great Extent	58	40.3	65.3
	Very Great Extent	50	34.7	100.0
	Total	144	100.0	
<b>Sound integrated procurement systems enhance accountability in procurement</b>	Very Low Extent	4	2.8	2.8
	Low Extent	9	6.3	9.0
	Moderate Extent	30	20.8	29.9
	Great Extent	59	41.0	70.8
	Very Great Extent	42	29.2	100.0
	Total	144	100.0	
	Very Low Extent	6	4.2	4.2
	Low Extent	4	2.8	6.9

<b>Procurement staff skills contribute to organizational performance</b>	Moderate Extent	31	21.5	28.5
	Great Extent	51	35.4	63.9
	Very Great Extent	52	36.1	100.0
	Total	144	100.0	
<b>Enterprise Resource Planning (ERP) software has made the procurement process faster, cheaper and transparent</b>	Very Low Extent	12	8.3	8.3
	Low Extent	16	11.1	19.4
	Moderate Extent	19	13.2	32.6
	Great Extent	75	52.1	84.7
	Very Great Extent	22	15.3	100.0
	Total	144	100.0	
<b>All company staff make requisitions online</b>	Very Small	7	4.9	4.9
	Small Extent	15	10.4	15.3
	Average	43	29.9	45.1
	High Extent	47	32.6	77.8
	Very High Extent	32	22.2	100.0
	Total	144	100.0	
<b>Prospective suppliers submit proposals online</b>	Very Low Extent	7	4.9	4.9
	Low Extent	25	17.4	22.2
	Moderate Extent	58	40.3	62.5
	Great Extent	26	18.1	80.6
	Very Great Extent	28	19.4	100.0
	Total	144	100.0	

	Adopting Information Technology	Sound integrated procurement systems	Procurement staff skills	Enterprise Resource Planning SW	Company staff make requisitions online	Suppliers submit proposals online	Grand Mean of organizational capacity
N Valid	144	144	144	144	144	144	
Missing	0	0	0	0	0	0	
Mean	3.9306	3.8750	3.9653	3.5486	3.5694	3.2986	<b>3.697917</b>
Std. Deviation	1.08165	.99562	1.03379	1.13328	1.09450	1.11619	<b>1.075838</b>

**Source:** Questionnaire, 2020

As the above table shows there are six items used to measure organizational capacity of EABSC in relation to procurement. The first item assesses if adopting Information Technology has improved the organization. The finding depicts that most majority of the 75% of the respondents agree that the adoption of IT has improved the company's performance to great and very great extent. Whereas 3.2% disagree about it by expressing that IT has low extent and very low extent on improving EABSC's performance making the mean score to be 3.93



Furthermore, from the second item, 70.2% of the total participants advocate that sound integrated procurement systems of EABSC has enhance accountability in procurement practice with a mean score of 3.88.

The third item assesses to what extent respondents agree procurement staff skills contribute to organizational performance, the result shows most of the respondents with a proportion of 71.5% expressed that the skill of the procurement team contributes to great and very great extent to the company's performance with a mean score of 3.96.

The next item examines if the Enterprise Resource Planning (ERP) software has made the procurement process faster, cheaper and, as a result the result reviled that 67.4% of the respondents agreed that the software has made the procurement process to be fast, cheap and transparent to great and very great extent making the mean score to be 3.55

Furthermore under the fifth item, 54.8% of them replayed all stuffs of EABSC make a requisition online to great and very great extent with a corresponding mean score of 3.57. In addition from the sixth item, respondents with a proportion of 40.3% regard that suppliers submit proposal online in a moderate extent with a mean value of 3.3.

In general, when examining the overall organizational capacity of the company, EABSC apply information technology in addition to having well experienced staffs to have a procurement practice which is high in quality. The overall mean of the variable organizational capacity was found to be 3.69. This indicates, most employees regard the company as strong capacity.

#### **4.3.7. Descriptive Analysis of Organizational Performance Indicators.**

This part of the analysis deals with the analysis of the dependent variable of this study which is organizational performance. The dependent variable was measured using five items which are aimed to describe organizational performance and the analysis and finding is discussed as follows.

**Table 4. 8:** Organizational Performance

<b>Question</b>		<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
<b>Procurement practices adopted by EABSC decreased the lead time of production</b>	Very Low Extent	7	4.9	4.9
	Low Extent	18	12.5	17.4
	Moderate Extent	24	16.7	34.1
	Great Extent	73	50.7	84.8
	Very Great Extent	22	15.2	100
	Total	144	100.0	
<b>Procurement practices adopted by EABSC have contributed users' department satisfaction</b>	Very Low Extent	11	7.6	7.6
	Low Extent	31	21.5	29.1
	Moderate Extent	33	22.9	52
	Great Extent	54	37.5	89.5
	Very Great Extent	15	10.5	100
	Total	144	100.0	
<b>Procurement practices adopted has resulted in cost reduction</b>	Very Low Extent	5	3.5	3.5
	Low Extent	28	19.4	22.9
	Moderate Extent	25	17.4	40.3
	Great Extent	55	38.2	78.5
	Very Great Extent	31	21.5	100.0
	Total	144	100.0	
<b>Procurement practices adopted has resulted in quality goods/service</b>	Very Low Extent	2	1.4	1.4
	Low Extent	10	6.9	8.3
	Moderate Extent	38	26.4	34.7
	Great Extent	72	50.0	84.7
	Very Great Extent	22	15.3	100.0
	Total	144	100.0	
<b>Procurement practices adopted has resulted in timely delivery of goods/service</b>	Very Low Extent	6	4.2	4.2
	Low Extent	11	7.6	11.8
	Moderate Extent	45	31.3	43.1
	Great Extent	64	44.4	87.5
	Very Great Extent	18	12.5	100.0
	Total	144	100.0	

		Lead Time of Production	Department Satisfaction	Cost Reduction	Quality Goods/Se rvices	Timely delivery of Goods/Service	Grand Mean of Organizational Performance
N	Valid	144	144	144	144	144	
	Missing	0	0	0	0	0	
	Mean	3.59	3.23	3.5486	3.7083	3.5347	<b>3.52232</b>
	Std. Deviation	0.8445	0.9142	1.1332	.85995	.95283	<b>0.940936</b>

As the above table shows there are five items used to measure organizational performance of EABSC in relation to procurement. The first item assesses how much the procurement process has contributed for the reduction of lead time of production, accordingly the finding shows that half of the participants (50.7%) regard the reduction of lead time as a result of the procurement practice of EABSC as great extent while cumulative of 17.4 regard it as low and very low. The first item scored a mean value of 3.59.

The second item assesses organizational performance in relation to departmental satisfaction gained as a result of the procurement process, the finding discloses that, a total of 48% regard the departmental satisfaction gained due to the procurement process as great and very great extent. But respondents with a proportion of 29.1% were found in the opposite side regarding the level of satisfaction as low and very low. The remaining were found to be neutral. The mean score was 3.23.

The third item used measure organizational performance in light of cost reduction as a result of procurement practices adopted by EABSC, as a result the finding discloses that 59.7% of respondents regard that the procurement practice followed by EABSC has reduced cost at a great and very great level. This item obtained a mean score of 3.55.

In addition, the fourth item of this category the performance of EABSC in terms of quality of goods gained from the procurement practice implemented, as a result participants with a proportion of 65.3% regard the procurement practice followed by EABSC has brought the presence of quality goods/services to a great and very great with a corresponding mean score of 3.71.

The last item assesses if respondents think the procurement practices adopted has resulted in timely delivery of goods/service, similarly majority of respondents with a proportion of 57.1%

regard the practice adopted bring great and very great extent timely delivery of goods and service in EABSC. The last item scores a mean value of 3.53.

In general the overall finding with regard to organizational performance as a result of the procurement practice adopted by EABSC shows that, the company has scored encouraging positive result towards the betterment of performance expressed in the form of lead time, satisfaction, cost reduction, quality products and timely delivery with a corresponding grand mean score of 3.52.

#### **4.4. Relationship between the Determinants and Organizational Performance.**

This section of the study analyzes the relationship that exist between the determinants identified to explain organizational performance in EABSC. To analyze the relationship that exists between them, Karl Pearson's Coefficient of Correlation (Pearson Product Moment Correlation Coefficient) was used.

A correlation analysis is used to measure the extent of the relationship between variables (x and y). The measurement used for this purpose is the correlation coefficient. This is a numerical value ranging from -1 to +1 that measures the strength of the linear relationship between two quantitative variables.

Such coefficients vary between -1.00 and +1.00 with the former showing that there is a perfect negative relationship and the latter shows that there is perfect positive relationship between variables where 0 shows no relationship. These values are rarely encountered in real world situations, but they are good benchmarks for evaluating the correlation coefficient of any data collection.

Dancey and Reidy (2004), state that a correlation result which is 0 indicates zero correlation, a result ranging from 0.1 to 0.3 indicates a weak correlation among variables, a result which is between 0.4 and 0.6 shows a moderate correlation, a result between 0.7 and 0.9 indicates a strong correlation among variables, while a result which is equal to 1 indicates perfect correlation.

Regarding the relationship that exists between the dependent variable and the explanatory variables, it is presented in this section. The finding related to each dimensions are depicted as follows;

**Table 4. 9:** Correlation Matrix

		<b>Correlations</b>					
		Procurement Planning	Supplier Selection Procedures	Buyer-Supplier Relationships	Organizational Capacity	Ethical Practices	Organizational Performance
Procurement Planning	Pearson Correlation	1	.403**	.296**	.399**	.703**	.410**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	144	144	144	144	144	144
Supplier Selection Procedures	Pearson Correlation	.403**	1	.630**	.572**	.511**	.570**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	144	144	144	144	144	144
Buyer-Supplier Relationships	Pearson Correlation	.296**	.630**	1	.614**	.574**	.600**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	144	144	144	144	144	144
Organizational Capacity	Pearson Correlation	.399**	.572**	.614**	1	.693**	.807**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	144	144	144	144	144	144
Ethical Practices	Pearson Correlation	.703**	.511**	.574**	.693**	1	.612**
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000
	N	144	144	144	144	144	144
Organizational Performance	Pearson Correlation	.410**	.570**	.600**	.807**	.612	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000
	N	144	144	144	144	144	144

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

**Source:** Questionnaire, 2020

From the above table it can be seen that all of the items have a positive and statistically significant relationship with organizational performance although the strength of their relationship varies across the different variables identified. This shows that the need to consider all the significant variables to increase the organizational performance of EABSC.

The highest and strongest significant relationship is found between organizational capability and organizational performance which is 0.807, based on Dancey and Reidy (2004) it indicates the relationship is strong which connotes, in order to maximize organizational performance of EABSC, it is important for the company to work on its capability of procurement such as supporting the process with Information Technology, establish modern procurement systems and use competent and skilled staff in the procurement process.

The relationship that exist between organizational performance and buyer-supplier relationship with a correlation coefficient of 0.600 was ranked second to have relationship which is regarded

as moderate. The thirdly significant relationship was found to be between supplier selection procedure and organizational performance with a correlation of 0.570 which is moderate.

The relationship between procurement planning and organizational performance and ethical practice and organizational performance were ranked fourth and fifth with a corresponding correlation coefficient of 0.41 and 0.312.

Generally out of the total five identified variable, all of them were found to have a statistically significant relationship with the dependent organizational performance.

#### 4.5. Economic Results of Organizational Performance Determinant Factors

This part deals with identification of the organizational performance determinant which has significant effect in EABSC.

##### 4.5.1. Variables Affecting Organizational Performance

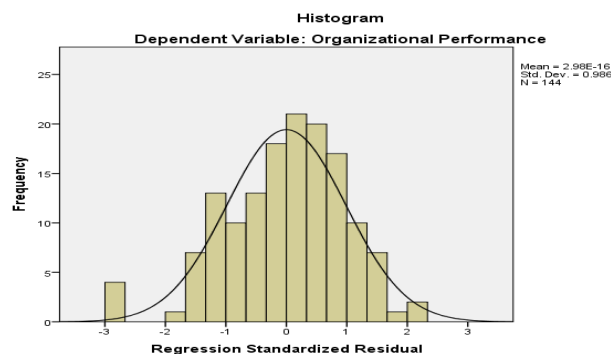
The multiple linear regression analysis was used to examine the effect of the identified five independent variables on organizational performance of EABSC. The four explanatory variables identified from literature are Procurement Planning, Supplier Selection Procedures, Buyer-Supplier Relationships, Organizational Capacity and Ethical Practices. The outcome of the analysis is described in the figure below.

Before using multiple regression as analytical tool all the necessary assumption tests were made, the five tests conducted are discussed as follows.

#### Normality Assumption

In Multiple regressions, the collected data are expected to have a normal distribution so that to proceed to analysis using regression. The normality of a collected data is checked using the normal distribution curve.

**Figure 4. 2: Normality Plot**



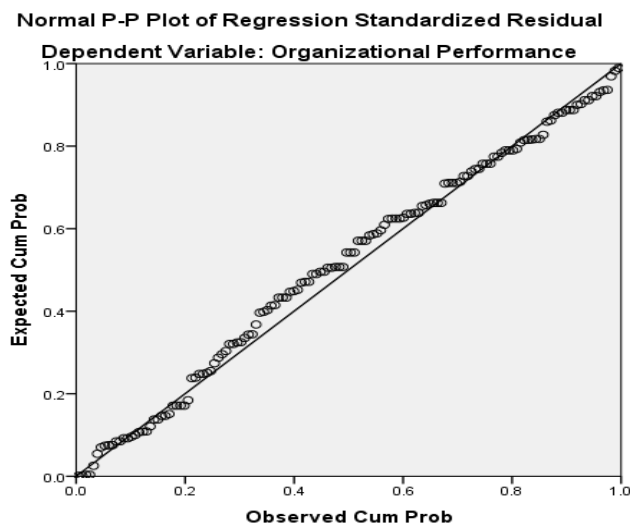
Source: SPSS Output, 2020.

As it is shown in the above figure although the distribution is not perfectly normal, it can be seen that it lies around the perfectly normal distribution curve and found the distribution to be fairly normally distributed. As a result the data has satisfied the first assumption.

### Linearity Assumption

The second assumption to consider in multiple regression is known as linearity assumption. This assumption specifies that, in order to use multiple regression as analytical tool, the collected data are expected to have a linear or straight line relationship. The technique to check this assumption is to use scatter plot diagram and visually inspect how the data fall around the diagonal straight line. If the data is scattered around the line in a systematic manner then the data is considered as linear.

**Figure 4. 3: Scatter Plot**



**Source:** SPSS Output, 2020

As the above scatter diagram shows the collected data are scattered around the diagonal line which can tell that the relationship that exist between dependent variable and the identified explanatory (independent) variables are found to be linear.

### Assumption of Independent of Residuals

The third assumption to be fulfilled in using multiple regressions is known as independence of residuals. A residual is the difference between the actual value of  $y$  and the predicted value  $y'$  for a given  $x$  value. The mean of the residuals is always zero. Therefore residuals are differences between the values of the outcome predicted by the model and the values of the outcome observed in the sample. These residuals represent the error present in the model. If a model fits the sample data well then all residuals will be small (if the model was a perfect fit of the sample

data, all data points fall on the regression line, then all residuals would be zero). If a model is a poor fit of the sample data then the residuals will be large.

Therefore it is necessary for the independence of the residuals in using multiple regression. Residuals can be tested using Dublin Watsons test. If the value of the Dublin Watsons test fall around 2 usually 1.5 to 2.5, then the residuals are considered to be small and independent.

**Table 4. 10: Independent of Residuals**

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.825 <sup>a</sup>	.681	.672	.51636	2.398

a. Predictors: (Constant), Procurement Planning, Supplier Selection Procedures, Buyer-Supplier Relationships, Organizational Capacity, Ethical Practices

b. Dependent Variable: Organizational Performance

**Source:** SPSS Output, 2020

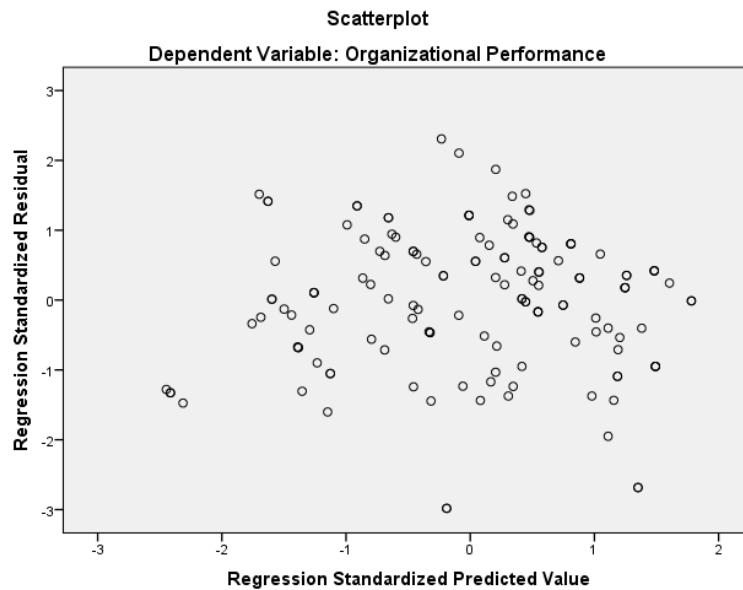
As the output of the Dublin Watson test shows the value 2.398 is found to be within the acceptable range. Therefore the data has satisfied the third assumption as well.

### **Homoscedasticity Assumption**

The forth assumption checked for this study is homoscedasticity. While using regression the level of the predictor variable(s), the variance of the residual terms should be constant. This just means that the residuals at each level of the predictor(s) should have the same variance and it is referred as homoscedasticity. The opposite of homoscedasticity is heteroscedasticity a situation which occurs when the residuals at each level of the predictor variables(s) have unequal variances. Put another way, a given data is Homoscedasticity if it looks somewhat like shotgun blast of randomly distributed data. Therefore scatter plot is used to check the variables are free from Heteroscedasticity and become homoscedasticity.



**Figure 4. 4: Scatter Diagram**



**Source:** SPSS Output, 2020.

By referring the scatter plot diagram generated from SPSS, it can be seen that the residuals are distributed fairly everywhere throughout the chart which implies the presence of homoscedasticity not heteroscedasticity. Therefore this assumption is also fulfilled.

### **Multicollinearity Assumption**

The last assumption to consider is known as Multicollinearity. It is a situation where there is a perfect linear relationship between two or more of the predictors. So, to apply regression the predictor variables should not correlate too highly.

Multicollinearity exists when there is a strong correlation between two or more predictors in a regression model. Multicollinearity poses a problem only for multiple regressions because simple regression requires only one predictor. Perfect collinearity exists when at least one predictor is a perfect linear combination of the others (the simplest example, being two predictors that are perfectly correlated – they have a correlation coefficient of 1). 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. In order to examine the existence of Multicollinearity it is recommended to use VIF (Variance Inflation Factor) or Tolerance Level as a technique to check the multicollinearity assumption. If the VIF value computed is found to be below 5, and the tolerance value is above 0.1 the variables are considered to be free of multicollinearity (Haie et.al., 1995).

**Table 4. 11: Multicollinearity Test**

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
Procurement Planning	.795	1.258
Supplier Selection Procedures	.521	1.921
Buyer-Supplier Relationships	.507	1.971
Ethical Practices	.471	1.159
Organizational Capacity	.539	1.854

**Source:** SPSS Output, 2020

Based on the output generated from SPSS, the value of the VIF for each variable is found to be below 5 and the tolerance of each variable is above 0.1. As a result based on the rule established previously the data is found to be free from Multicollinearity, as the VIF and tolerance level are within the acceptable values.

#### 4.5.2. Multiple Regression Analysis

The last part of the analysis deal with the examination of the effect of the five on the organizational performance of EABSC and identify the most determinant variable having highest effect on organizational performance among the identified multiple variables.

Since all the necessary assumptions are tested, based on the methodology established the multiple linear regression analysis was used to examine the magnitude of influence the identified explanatory variables has on dependent variable. By using OLS (Ordinary Least Square) method the following output is generated.

**Table 4. 12: Econometric Results**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.825 <sup>a</sup>	.681	.672	.51636	2.398

a. **Predictors:** (Constant), Procurement Planning, Supplier Selection Procedures, Buyer-Supplier Relationships, Organizational Capacity, Ethical Practices

b. **Dependent Variable:** Organizational Performance

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.192	.331		.581	.000
Procurement Planning	.230	.160	.200	1.442	.000
Supplier Selection Procedures	.473	.058	.662	3.813	.001
Buyer-Supplier Relationships	.173	.088	.156	1.959	.000
Ethical Practices	.131	.073	.120	1.788	.000
Organizational Capacity	.743	.075	.650	9.961	.000

**Source:** SPSS Output, 2020

Based on the undertaken multiple regression analysis using OLS method, it is found that out of the identified five variables were found to have a statistically significant effect on organizational performance.

The overall influence of the independent variables on the dependent variable is found to be sufficient enough to accept the finding. Procurement Planning, Supplier Selection Procedures, Buyer-Supplier Relationships, Ethical Practices and Organizational Capacity influence organizational performance of EABSC with the  $R^2$  value of 0.672. This implies that the variables are capable of explaining organizational performance with 67.2%. The remaining difference (Unexplained value) 32.8% tells that there are still other determinants that are not covered by this study but still capable of influencing organizational performance.

The Beta (B) value under Un-standardized Coefficients contains the variables used under this study's magnitude of influence on organizational performance. As it is shown in the table above all the five variables have a statistically significant effect over organizational performance. The highest influence is captured to be by organizational capacity with a beta value of 0.743. This implies whenever the EABSC works on developing its capacity of procurement can cause 0.743 changes in the performance of EABSC. This finding is supported by the finding of Caleb Maroma (2017) who undertake an empirical study on the assessment of the effect of procurement practices on organization performance, and found out that organizational capacity affects performance in Nyamache Tea Factory

The second dominant effect is found to be caused by Supplier Selection Procedures with a beta value of 0.473, which tells an improvement made in the procedure followed in selecting supplier leads a 0.473 betterment on the organizational performance will be returned. This

finding implies if EABSC follow a strict and well-structured procedure on screening and selecting supplier can enable EABSC to experience an improved organizational performance.

This finding was found to be consistent with Ayenew Fakadu (2018) who conducted a study on the effect of procurement practices on project implementation in Care Ethiopia. The results indicated that effective and efficient vendor selection process can only be achieved by keeping organized list of vendors" data, timely preparation of request for quotation, on time evaluation of bid documents, participating qualified staffs on vendor selection process, and use a clear vendor selection procedure can have effect on the performance of Care Ethiopia.

From the five statistically significant variables, Procurement Planning and Buyer-Supplier relationship were ranked to influence organizational performance thirdly and fourthly, with a respective beta value of 0.230 and 0.173 respectively, which implies a positive improvement made on the procurement process by EABSC can bring a 0.230 betterment on organizational performance and the more EABSC in establish a smooth relationship with suppliers, a 0.173 betterment on the organizational performance will be enjoyed by the company. The finding was in line with the study conducted by Juma and Simba (2017) which confirmed, lack of procurement planning could result in increased costs of project, scope creep, increased project risk and variations as a result proper procurement planning can affect organizational performance positively.

The last variable having significant effect on organizational performance was found to be ethical practice, the result shows the smallest effect is recognized by this variable with a beta value of 0.131. This implies if EABSC follows an ethical and transparent procurement procedure, organizational performance will be enhanced by 0.131. This finding was found to be in line with the study of Ayenew Fakadu (2018) who found out procurement ethics affect procurement process of health care supplies in the public sector to a great extent and recommended that adequate control should be put in place for reducing opportunities for corruption and maximize the health centres performance.

In general, when looking to the above multiple regression analysis generated using SPSS, it was found that from the total of five variables identified to explain organizational performance, all of them were found to be statistically significant to have effect on the performance of EABSC even though there level of effect varies.

The corresponding model developed to show the influence of the five significant variables on the organizational performance is summarized as follow;

$$OP = .192 + 0.743(OC) + 0.473(SSP) + 0.230(PP) + 0.173(BBR) + 0.131(EP)$$

**Where:**

- OP** - Organizational Performance
- PP** - Procurement Planning
- SSP** - Supplier Selection Procedures
- BSR** - Buyer-Supplier Relationships
- OC** - Organizational Capacity
- EP** - Ethical Practices

#### 4.6. Testing the Hypothesis

This part of the analysis test the hypothesis established in the first chapter and decide whether to accept or reject it based on the analyzed finding.

**Table 4. 13: Summary of Hypothesis Testing**

<b>S.N</b>	<b>Hypothesises</b>	<b>Decision Made</b>
1.	Procurement planning has a significant positive effect on performance	<b>Accept Hypothesis</b>
2.	Supplier selection procedure has a significant positive effect on performance	<b>Accept Hypothesis</b>
3.	Buyer supplier relationship has a significant positive effect on performance	<b>Accept Hypothesis</b>
4.	Organizational capacity has a significant positive effect on performance	<b>Accept Hypothesis</b>
5.	Ethical practice in procurement has a significant positive effect on performance	<b>Accept Hypothesis</b>

## **CHAPTER FIVE: SUMMARY OF MAJOR FINDINGS, CONCLUSION AND RECOMMENDATION**

### **5.1. Summary of major findings**

Based on the analysis conducted from 144 sample respondents' from EABSC in the third chapter the following findings were obtained

- The finding depict that majority of the respondents (46.5%) show their agreement as great extent that needs are clearly defined by the head department followed by 26.4% moderate extent.
- As per the analyzed data majority of the respondents (44.4%) regard Plans are always based on timely production schedule as great extent, while cumulative of 11.8% were opposing.
- An aggregate of more than lion's share (59.8%) of the participants regard the availability of fund based on budget as great and very extent. While 14.6% regard as low and very low extent.
- Regarding the involvement of top level managers in the procurement planning 79.9% agree as great extent while 29% as very great extent, indicating top managers' involvement.
- The finding collected from the sample respondents show that 43.8% of the participants agree the Contacting of previous customers to confirm supply performance and obedience to contract as great extent.
- Regarding the possibility supplier will announce bankruptcy prior to satisfying organization requirements 38.9% replayed as great extent while 37.5% as moderate extent.
- The Supplier's ability to add delivery on short notice reviles positive result by generating 42.4% response rate as great extent followed by 38.9 regarding it as moderate extent.
- The finding shows majority of them (35.4%) were moderate about the consideration of ISO 9000 and 14000 certification while selecting suppliers.
- As per the finding gathered from the respondents 43.1% consider the presence of rigorous checks of supplier's capabilities as great extent.
- Regarding Conducting joint improvements in the relationship EABSC have with suppliers, the finding shows 61.8% of the respondents replied positively.

- The finding collected regarding information sharing shows 52.8% of the participants agree as great extent, followed by 25% as moderate.
- 43.1% showed their great extent pertaining the presence of Supplier supervision in buyer and seller relationship.
- EABSC is found to be regarded as great when it comes to turning competitiveness into opportunity.
- The finding collected shows majority of them (48.6%) regard EABSC's effort of knowing supplier capabilities as high extent.
- As per the finding 34.7% agree in great extent regarding the strict codes of conduct ensure purchasing procedures are followed in EABSC and 31.3% very great extent pertaining the punishing of corrupt behaviour contributes to higher performance by purchasing staff
- Regarding the limits of authority to commit departmental funds are adhered to in the procurement department gained 35.4% agreement as great extent.
- The finding pertaining conflicts of interest being quickly declared by members of staff, 36.1% regard it as great extent.
- Regarding the conducting of businesses in an atmosphere of good faith, 41.0% consider it as great extent. While 40.3% greatly agree pertaining the confidentiality in dealing with supplier information.
- With regard to the adoption of Information Technology has improved the organization performance received 40.3% of respondents acceptance as great extent.
- Majority of the respondents are unaware of the company's participation regarding sound integrated procurement systems enhance accountability in procurement.
- The finding shows the respondents' regard Procurement staff's skill contribute to organizational performance in great extent.
- 52.1% of respondents agree that Enterprise Resource Planning (ERP) software has made the procurement process faster, cheaper and transparent in great extent.
- In addition, 32.6% greatly agree on the extent that all company staff make requisitions online. While 40.3% were moderately agree that prospective suppliers submit proposals online.
- Regarding the organizational performance as a result of lead time gained the support of majority respondents (50.7%) as great extent, followed by 15.2 very great extent.

- Pertaining departmental satisfaction gained as a result of the procurement practice 48% regard it as great and very great extent collectively whereas 29.1% took the opposite.
- With regard to the procurement practices adopted by EABSC has resulted in cost reduction gained majorities (38.2) agreement as great extent. While 50.0% consider the Procurement practices adopted has resulted in quality goods/service as great extent.
- Concerning, if the procurement practices adopted has resulted in timely delivery of goods/service, 44.4% agree in great extent.
- All of the items have a positive and statistically significant relationship with organizational performance and the highest and strongest significant relationship is found between organizational capability and organizational performance which is 0.807.
- Based on the multiple regression analysis, it is found that out of that the identified five variables were found to have a statistically significant effect on organizational performance.
- The  $R^2$  value of 0.672 implied that the five variables are capable of explaining organizational performance with 67.2%.
- The highest influence on organizational performance is captured to be by organizational capacity with a beta value of 0.743.
- The second dominant effect is found to be caused by Supplier Selection Procedures with a beta value of 0.473.
- Finally, Procurement Planning and Buyer-Supplier relationship were ranked to influence organizational performance thirdly and fourthly, with a respective beta value of 0.230 and 0.173 respectively.



## 5.2. Conclusion

Procurement is the practice of selecting vendors, strategic vetting, setting up payment terms, selection, and negotiation of contracts and actual purchasing of goods. Procurement is a process which entails acquiring (procuring) goods, services and work that is vital to an organization. The procurement practices comprises of the actions taken by the purchasing organization to navigate and integrate its performance in order to increase productivity by reducing cost and time.

The first variable of the study which is procurement planning variable of the study was found to be practiced in a good manner in EABSC while engaging in procurement of materials. As per the grand mean score belongs to the category of great extent. This implies the company adopts and follows well established planning process before involving in the procurement of raw materials and resources to be used to manufacture the soft drinks.

Pertaining the supplier selection procedure of EABSC, even though most practices adopted to select suppliers receive positive results, but still negative outcomes were found such as consideration of standard quality measurements in selecting supplier and suppliers announcing bankruptcy before offering the order they took from EABSC.

Regarding buyer-supplier relationships practice in EABSC, the overall grand mean score were found to incline towards the great extent which indicates the company's positive commitment to creating strong and long-lasting relationship with suppliers.

The ethical practice in the procurement practice in EABSC can be regarded as fairly ethical as the grand mean score was found to be 3.7. This indicates, EABSC follows an ethical and transparent procurement procedure in the overall process of buying materials from suppliers.

When examining the overall organizational capacity of the company, EABSC apply information technology in addition to having well experienced staffs to have a procurement practice which is high in quality, lesser cost and time which indicates the company organizational capacity as strong.

Pertaining the relationship that exist between the five variables and organizational performance, it was concluded that all the five variables have a positive and statistically significant relationship with organizational performance although the strength of their relationship varies across the different variables identified. The highest and strongest

significant relationship was found to be between organizational capability and organizational performance which is 0.807. In addition the second relationship considered as moderate was found between organizational performance and buyer-supplier relationship with a correlation coefficient of 0.600. The other moderate relationship is found to be supplier selection procedure and procurement planning with organizational performance. While the remaining variables (Ethical Practice) holds poor but significant relationship with organizational performance. This shows that the need to consider all the significant variables to increase the organizational performance of EABSC.

Finally, the result obtained from multiple regression analysis reveals all the five variables identified to explain organizational performance were statistically significant to have effect on the performance of EABSC even though there level of effect varies. The variable organizational capacity being the highest influencer followed by Supplier Selection Procedures, Procurement Planning, Buyer-Supplier relationship and ethical practice sequentially. This leads to the acceptance of the hypothesis that states Procurement planning, Supplier selection procedure, Buyer supplier relationship, Organizational capacity and Ethical practice having significant effect on organizational performance.

### **5.3. Recommendation**

Based on the conclusion made the following recommendations are made

Initially the company is recommended to keep the same on the areas where its performance is great such areas are, the procurement planning, the relationship EABSC is trying to build with suppliers and the exercising of ethical procurement practice.

Regarding the requirement of ISO certification, EABSC is recommended to consider asking suppliers for certification for satisfying quality standards. Such certification will allow the company to always get consistent supplies or decreased variation. The company will be able to receive supplies same weight, same tolerances and leads to same output every time. As a result EABSC will be able to produce Quality soft drinks resulting in increased customer satisfaction.

The company's effort to adopt technological procurement scheme is encouraged and is recommended to keep on updating the procedure with emerging technologies.

Among the five variables identified organizational performance is found to have strong relationship which indicates the most critical as a result EABSC is recommended to enhance its procurement capacity by Adopting more advanced and latest Information Technology, building Sound integrated procurement systems and equipping its Procurement staff with high skills and capability.

When considering the variables effect on the performance if EABSC, supplier selection procedure was found to have the highest effect. This indicates the company needs to enhance on the establishing a transparent and clear selection procedure to gain most out of it.

Finally since all the variables possess a significant direct effect on the performance of EABSC, the company is recommended to consider all the variables to further improve the procurement procure. Especially capacity building in the procurement practice, the procedure the procurement team pass to identify and select supplier and the process of procurement.

### **5.4. Area for Further Research**

The  $R^2$  value from the regression analysis implies that the factors used to explain organizational performance under the present study can only explain almost 67.2% of the variation on organizational performance, which clearly shows the existence of other variables not covered by this study which accounts for 32.8%. As a result, to get the complete understanding of the variables that may affect organizational performance other interested researchers are

recommended to undertake a study to get the complete picture regarding the effects of procurement practices on organizational performance.

In addition, this study only examines effects of procurement practices on organizational performance in the soft drink industry, but since there are various industries that exist in the economy the level and magnitude of the factors of this study may differ, so necessary consideration needs to be taken.

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## **APPENDIX**

### **INTRODUCTORY LETTER**

**Dear Respondent,**

I am a graduate student at St. Marry University pursuing a Master's degree in General Management. As a partial fulfilment of the course, I am conducting a research to identify the **Effects of Procurement Practices on Organizational Performance: A Case of East Africa Bottling S.C.** Kindly spare some time to fill the attached questionnaire for which I will be very grateful.

The result of the study will be significant to the organization as the information will help in setting strategic directions.

The response from this questionnaire will be used purely for academic purposes and confidentiality is strictly emphasized. You need not include your name. Any additional information that you might feel is necessary for this study is welcome.

#### **General Instruction**

- This questionnaire is to be filled by permanent employees of EABSC.
- There is no need to write your name
- Close - ended questions should be answered by placing a tick (✓) mark with in the box.
- Open - ended questions should be answered by writing your reflection on the space provided below each questions.
- You are kindly asked to read carefully and respond to each question in the questionnaire.

**The scale of your agreement for the raised questions will be**

1) Very low extent    2) low extent    3) Moderate extent    4) Great extent    5) Very great extent

**Thanks in advance for your support.**

**Regards!!!**

**Ayub Abadir**

**Section 1: Background Information**

1. Gender of respondent

Female [ ]

Male [ ]

2. Respondent's age

Less than 30 years [ ]

31 to 40 years [ ]

41 to 50 years [ ]

above 51 years [ ]

3. Highest level of qualification

Certificate [ ]

Diploma [ ]

Undergraduate [ ]

Postgraduate [ ]

Any other, please specify \_\_\_\_\_

4. Number of years worked in EABSC?

0-5 years [ ]

6-10 years [ ]

11-15 years [ ]

More than 16 years [ ]

5. Your current competency

Procurement/Finance [ ]

Operations planning & logistics [ ]

Sales/Marketing [ ]

Manufacturing/Production [ ]

## Section 2: Research Related Questions

### Section 2.1: Procurement Planning

Indicate how Procurement Planning affect organizational performance

<b>Procurement Planning</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Need Assessment</b>					
Needs are clearly defined by the head department					
<b>Time Base</b>					
Plans are always based on timely production schedule					
<b>Budget</b>					
Funds are availed based on the budget					
<b>Management Involvement</b>					
Top management is involved in the procurement planning					

Please describe other procurement planning process exercised in EABSC (If any)

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### Section 2.2: Supplier Selection Procedures

Indicate how supplier selection procedures affect organizational performance

<b>Supplier selection procedures</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Reference checks</b>					
Contacting previous customers to confirm supply performance and obedience to contract					
<b>Financial status checks</b>					
Possibility supplier will announce bankruptcy prior to satisfying organization requirements					
<b>Surge capacity</b>					
Supplier's ability to add delivery on short notice					
<b>Indications of supplier quality</b>					
ISO 9000 and 14000 certification					
<b>Ability to meet specifications</b>					
Rigorous checks of supplier's capabilities					

Please describe other supplier selection procedure followed in EABSC (If any)

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**Section 2.3: Buyer-Supplier Relationships**

How does buyer-supplier relationship affect organizational performance?

<b>Buyer-supplier relationship</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Conducting joint improvements					
Information sharing					
Supplier supervision					
Turning competitiveness into opportunity					
Knowing supplier capabilities					

Please specify any other buyer-supplier relationship affect organizational performance in EABSC (If any)

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**Section 2.4: Organizational Capacity**

Indicate how procurement practices affect organizational performance.

<b>Organizational capacity</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Adopting Information Technology has improved the organization performance					
Sound integrated procurement systems enhance accountability in procurement					
Procurement staff skills contribute to organizational performance					
Enterprise Resource Planning (ERP) software has made the procurement process faster, cheaper and transparent					
All company staff make requisitions online					
Prospective suppliers submit proposals online					

Please specify any other procurement practices that may affect organizational performance in EABSC (If any)

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**Section 2.5: Ethical Practices**

Indicate how ethical practices in procurement affect organizational performance.

<b>Ethical Practices</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Strict codes of conduct ensure purchasing procedures are followed					
Punishing of corrupt behavior contributes to higher performance by purchasing staff					
Limits of authority to commit departmental funds are adhered to in the procurement department					
Conflicts of interest are quickly declared by members of staff					
Businesses are conducted in an atmosphere of good faith					
There's confidentiality in dealing with supplier information					

Please mention any other ethical practice seen in EABSC that may affect organizational performance (If any)

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**Section 2.5: Organizational Performance Indicators**

On the 5-point Likert scale using a tick (√), indicate the extent to which Procurement practices adopted by EABSC influence the organizational performance of the company

<b>Measurements of Productivity</b>	<b>Very Low Extent</b>	<b>Low Extent</b>	<b>Moderate Extent</b>	<b>Great Extent</b>	<b>Very Great Extent</b>
Procurement practices adopted by EABSC decreased the lead time of production					
Procurement practices adopted by EABSC have contributed users' department satisfaction					
Procurement practices adopted by EABSC have resulted in procurement cost reduction					
Procurement practices adopted by EABSC have resulted in quality goods/services.					
Procurement practices adopted by EABSC have resulted in timely delivery of goods and services					