



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

**THE EFFECT OF PURCHASING PRACTICE ON
ORGANAZTION PERFORMANCE IN AFRICAN UNION**

**BY
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JANUARY 2021

ADDIS ABABA, ETHIOPIA

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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF GRADUATE
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APPROVAL OF BOARD OF EXAMINERS

As members of the Examining Board of the final MBA, open defense, we certify that we read and evaluated the thesis prepared by Dejen Dagne Alemayehu and recommend that it is accepted as fulfilling the thesis requirement for the Degree of Master of in Business Administration.

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DECLARATION

I declare that this MBA thesis is my original work, and has never been presented for the award of any degree in this or any other university and all source of materials used for the thesis have been duly acknowledged.

Dejen Dagne Alemayehu Signature _____

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ABSTRACT

The purpose of this research is to find out the effect of purchasing practice on the organization performance of African union .The study considered factors (i.e. purchasing process, purchasing evaluation mechanism, and types of purchasing) to measure organization's performance in African union .The study obtained information from 85 respondents from staff of African union. Simple random and stratified sampling techniques were employed in admitting the questionnaires. Using quantitative data, this paper strived to investigate the effect of purchasing practice on the organization performance in the case of African union. Data was analyzed through statistical package for the social science version 26 (SPSS) by applying some needed descriptive and inferential statistics. Descriptive research design and quantitative research approach was applied. The result indicted that, selected purchasing practice is positively associated with organization performance in the study area. Finally, the researcher concluded that in the case of selected study area the different factors of purchasing Practices have a significant and positive role on organization's performance. Then the researcher recommended that the strategic purchasing strategy adopted by an organization depends on the nature and industry it belongs to, and should suit its activities.

Keywords: organization performance, purchasing practice, purchasing process, purchasing evaluation mechanism, types of purchasing

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The huge amount of budget allocated for purchasing and the strict government regulations and procedures demand careful purchasing management. The purchasing process involves various steps: the purchase requisite might originate from users (academic or administrative staff) or property section, the property section collects and summarizes the purchase requisite and presents for the general services head shall for verification, when the purchase should be done through auction bid document shall be prepared by technical committee and the invitation shall be announced. Then bid evaluation committee shall evaluate the bid documents and select the winner based on price and quality and presents recommendation for final approval to the dean. The winner shall be given purchase order and will deliver the items to the property section Giunipero, (2005).

According to Saunders (1997), “Purchasing and supply can no longer be treated as a second order function. The way forward lies with integrated materials management, pulling together suppliers, production, and distribution. In the years ahead, those who have not got their purchasing and supply operations right will not be competitive”.

The purchasing function within an organization contribute at least as much to the success of an organization as other functions in the areas such as marketing, finance and accounting, engineering, and operations, Dobler et al (1996). In the past, purchasing was generally treated either as a routine clerical function or as a service function concerned with spending. The purchasing department is one the few sections within any organization that is actually involved in spending the organization’s cash resources and therefore has a unique opportunity to reduce some of the organization’s costs and thereby increase profits, Price et al (1993).They explained that, the organization can become more profitable by the introduction of efficient and professional purchasing strategies and techniques”. They further pointed out that, savings in terms of agreements, quality, delivery, price, performance, etc., are all the reward of effective purchasing that lead to profit.

According to Lu (2011) Purchasing is a means of obtaining materials or services of the right quality in the right quantity from right source delivery them to the right place at the right price.it is the major activities of all organization to function and run. Purchasing function covers the sourcing end of supply chain management interfacing with the delivery end of the suppliers,). Significant amount of budget is spent on purchase of material and services to accomplish and support the organization's goal. Organizations use different system and policy to maximize the efficiency and minimize the risks and cost of purchase and the word procurement is used interchangeably but it has a broader sense (Alijan 1973).

According to Thai (2009) purchasing practitioners are constantly facing with internal and external challenges such as organizational, and non-organizational. Organizations ability to accomplish procurement objectives and policies is influenced very much by internal forces including; interactions between various elements of the procurement systems, various actors and sub-agencies within a department or executive agency. An external challenge also includes marketing environment, legal environment, Political environment, Social, Economic and other environment forces

According to Keitany & Riwo-Abudho (2014), Studies have investigated how to improve the organization performance in the context of the supply chain management. The presence of strategic purchasing within the organization has enabled the company to acquire the resources required in fulfilling customer needs Strategic purchasing within an organization means that the purchasing has a vital role in the decision-making process. Strategic purchasing is thought as a tool for optimizing organization performance and increase profitability through minimizing the costs.

Other research also argued that corporations now realize the importance of purchasing process any material such as raw materials or part as inputs for the production process (Carr & Pearson, 2002). Strategic purchasing is an activity that involves a significant amount of cost (over 70%) of their revenue in the form of material or part cost Makabira & Waiganjo, (2014). While Oberoi & Khamba (2005) said that as the number of companies engaged in any industry is continually

increasing, it consequently increases the complexity, uncertainty, creates a new competitive environment and requires a strategic purchasing.

Another research by Alafi (2014) suggested that negotiation strategy is an important way how to reach an agreement with the supplier. With an appropriate negotiation strategy, the company may have the best contract with its supplier which at the end will influence the organization performance. The company's performance is affected by their negotiating strategy that helps companies get the best price and quality as expected. The result of negotiation strategy, which accommodates the expectations of both parties involved in the agreement, will subsequently build a better relationship between the supplier and the buyer in the extended period.

Moreover according to Mohanty & Gahan (2012) better relationship between two parties, called buyer supplier relationship, will benefit both sides in term of profitability which is not only in the short term but long-term as well. This buyer-supplier relationship shall be based on trust, power and dependency, capacity and capability of suppliers as well as their two-way communications. A better relationship between buyer and supplier will increase the sharing of information which at the end will improve operational aspect and subsequently performance.

During the late 1980s for an example, materials cost made up approximately 60 percent of the cost of goods and services sold in the United States. The impact of purchasing managers on company assets became very significant and very visible, Dobler et al (1996). These changes together with electronic purchasing systems and the growing recognition by senior management of the crucial role that must be played by the purchasing and supply management provided the motivation for change. Purchasing managers are now involved in the broader strategic aspect of the purchasing function within an organization, new product development, selecting sources, managing costs, developing and nurturing supplier partnerships and strategic alliances, and issuing long-term agreements with carefully selected suppliers, Dobler et al (1996). Dobler et al (1996) explained further that, 'an organization purchasing strategy is becoming recognized as a strategic weapon equal in importance to the firm's marketing, conversion, and finance strategies'. According to Lysons (1992), the term 'profitability however, has a wider meaning than "pecuniary gain" and can be extended to cover anything that is advantageous or beneficial to an organization'.

Moreover according to Dobler (1996), the objectives of purchasing department can be classified into general managerial level, functional level and operational level objectives. The standard statement of the overall objectives of the purchasing function is that it should obtain the right materials in the right quantity, for delivery at the right time and place from the right sources the right service (after and before sale) and the right price Lu (2011)

1.1.1 Background of African Union

The African Union is established on September 9, 1999 with the vision of an integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in global arena. The advent of the African Union (AU) can be described as an event of great magnitude in the institutional evolution of the continent. On September 9, 1999 the Heads of State and Government of the Organization of African Unity issued a Declaration calling for the establishment of an African Union, with a view, to accelerating the process of integration in the continent to enable it play its rightful role in the global economy while addressing multifaceted social, economic and political problems compounded as they are by certain negative aspects of globalization Ewi & Aning (2006)

The main objectives of the OAU were, inter alia, to rid the continent of the remaining vestiges of colonization and apartheid; to promote unity and solidarity among African States; to coordinate and intensify cooperation for development; to safeguard the sovereignty and territorial integrity of Member States and to promote international cooperation within the framework of the United Nations Ewi & Aning (2006).

Indeed, as a continental organization the OAU provided an effective forum that enabled all Member States to adopt coordinated positions on matters of common concern to the continent in international force and defend the interests of Africa effectively. Through the OAU Coordinating Committee for the Liberation of Africa, the Continent worked and spoke as one with undivided determination in forging an international consensus in support of the liberation struggle and the fight against apartheid Packer & Rukare (2002).

The OAU initiatives paved the way for the birth of AU. In July 1999, the Assembly decided to convene an extraordinary session to expedite the process of economic and political integration in

the continent. Since then, four Summits have been held leading to the official launching of the African Union:

This vision of a new, forward looking, dynamic and integrated Africa will be fully realized through relentless struggle on several fronts and as a long-term endeavor. The African Union has shifted focus from supporting liberation movements in the erstwhile African territories under colonialism and apartheid, as envisaged by the OAU since 1963 and the Constitutive Act, to an organization spearheading Africa's development and integration.

The purchasing practice African Union (AU) is performed based on purchasing manual of the union, which was issued in 2010 and revised in 2016. The procurement process is based on different principles like value for money, Fairness, integrity and transparency; Effective competition; Efficiency and Economy and the interest of the African Union.

Therefore the Main objective or purpose of this research paper is to assess the overall purchasing Practice and mechanism of Africa Union by focusing on the procedures that hinders the performance of the organization to meet its objectives on timely basis.

1.2 Statement of the Problems

According to Lu (2011), purchasing is a means of obtaining materials or services of the right quality in the right quantity from right source and delivery them to the right place. But most organizations give less attention on the contribution of purchasing which traditionally viewed as clerical stuff. Failures in to recognizing the importance of purchasing activities are caused by an organization's unable to integrate the purchasing function with its operational functions. In these cases, organizations are faced with the danger of output disruptions, loss of income, and negative effects on competitiveness Giunipero, (2005).

Purchasing plays a key role for the attainment of organizational objectives by providing right quality of inputs for users at the right time and cost. However the purchasing department of AU is not playing this role effectively

During the preliminary investigation, the researcher observed that purchasing department of AU is not playing its role effectively and perceived different complains by the staff members of African Union Commission due to delay of purchasing materials, less quality of purchased

materials, and there is no enough stock items.. Therefore, this study aims to fill the above mentioned gaps the researcher motivates to assess the role of purchasing practices on organizational performance in Africa Union.

1.3 Research Questions

The study was attempted to address the following research questions.

- How the overall purchasing practice of the organization looks like?
- What are the different purchasing types that the organization employed?
- What is the effect of purchasing process on organizational performance?
- What are the purchasing evaluation mechanisms that the organization employed?

1.4 Objectives of the Study

1.4.1. General Objective

The general objective of the study is to investigate the effect of purchasing on organizational performance in the study area.

1.4.2 Specific Objectives

- To examine purchasing process of the organization
- To analyze the effects of purchasing evaluation mechanisms on the organization performance
- To evaluate types of purchasing on the organization performance
- To assess the overall purchasing practice of the organization

1.5 Significance of the Study

This study will be useful to procurement managers and organizational leaders as they will be able to gain insight on the extent to which procurement practices affect organizational performance at African Union. The study will also add to the existing body of knowledge in procurement practices and further will fill the existing gaps.

It will help procurement departments to know how to improve their productivity, profitability and image. It will also help to public organizations to analyze on how the instituted procurement practices have contributed to their performance as well as identify the loopholes that may be hindrance to performance.

In sum, the output of this study will benefit to the consumers. In addition to this, the government sectors can draw important concepts from this study, and it may serve for the policy-makers and business men as a supporting material; and will benefit the public at large. On the other hand, this study may help as a foundation for other researchers who want to conduct further research in this area for the future.

1.6 Limitation of the Study

Everything has got its own limitations. In the same manner, this study has also faced some confines. Researcher's lack of prior experience in conducting systematized research. The second major problem was lack of awareness among our society to fill out questionnaires with due care and return them on time. Employees were not willing to fill out questionnaires, this was one of the challenges that I have faced.

Despite the useful findings of the study, this study has several limitations that need to be acknowledged. The data for this study was only collected from African Union Commission Head office because of time constraints, so it needs further research in other offices or International government institution, thus the results may not be generalized.

1.7 Scope the Study

Although, AU has many Offices operating in African and other countries located in different geographical areas of the world, the study is confined with the AU head office located in Addis Ababa, Ethiopia focusing on the AUC Departments and Directorates.

1.8 Organization of the Study

The study is organized in five chapters. The first chapter presents the introduction part starting the study background, statement of the problem, research question, objectives of the study, significance of the study, the scope of the study, and organization of the study.

The Second chapter deals with the review of related literature, theoretical and empirical evidence and developing a theoretical framework of the study. The third chapter, research design and methodology Chapter four represent the research findings and its results, and the last chapter five includes the summary, conclusions, and recommendation drawn from this study. Finally, the lists of references were attached to the research paper.

CHAPTER TWO

REVIEW OF RELATED LITERATURE'S

2.1 Introduction

This part of the study devoted to present the existing international, national and regional reviewing theories developed on issues related Purchasing practice and its implication service. The intention is to provide theoretical foundation that serves as a framework of analysis.

The chapter also revisits empirical evidences from a variety of literatures purchasing practice as a lens. Accordingly, first it concentrates on providing explanation on concepts and definitions of purchasing practice and conceptually purchasing. Then, developing the conceptual framework that helps to classify relevant facts and presented right after empirical studies related to issues under the investigation.

The efficiency and effectiveness of an organization based on the management and giving due consideration for every function of the firm in particular the function dealing with procurement and supply system has paramount importance. Most organizations have spent a sizeable amount of their budget for purchasing goods and service. Due to this fact, procurement is common activity in all types of business enterprise. It is imperative that these purchases are made following a uniform, systematic, efficient and cost effective procedure, in accordance with existing documents of the organization Knudsen (1999). This chapter will review the general literature on procurement, the process & the challenges.

2.2 Definition

It is very difficult to list all the definitions of purchasing but some of the purchasing definitions are "Purchasing is the activity responsible for getting the \ right material to the right place, at the right time, in the right quantity, at the right price" Lu (2011).

Purchasing refers to a function in business whereby the enterprise obtains the inputs for what it produces, as well as other goods and services it requires. Purchasing is one of the basic functions common to all types of business enterprise. These functions are basic, because no business can operate without them Dobler (1984).

According to Leenders, (1989). Purchasing is the responsibility of buying the kinds and quantities of materials authorized by the requisitions issued by production scheduling, inventory control, engineering, maintenance and other department of function requiring materials.

In general purchasing can be defined *as acquisition of required materials, services and equipment used in the operation of an organization*. It is one of the basic functions common to all types of business enterprise. The purchasing function is usually performed economically and efficiently by a specialized, Centralized Purchasing Department, directed by a skilled purchasing manager. But the purchasing function does not have to be performed in such a manner. In practice it is sometimes performed by any member of different executives or departments.

2.2.1 Major tasks of Purchasing

"Purchasing in broader terms involves determine the need, selecting the supplier, arriving at Proper price, terms and conditions, issuing the contract or order, and following up to ensure Proper delivery .Major types of purchasing activities carried by a typical Purchasing Department of a given organization include coordination with user department to identify purchase needs, Doing traditional buying ,Discussion with sales representatives, identification of potential suppliers, conduct market studies for important materials, negotiation with potential suppliers Analysis of proposals, selection of suppliers, issuance of purchase orders ,Administration of purchase contracts, resolution of related problems and maintenance of a variety of purchase records Alijan, (1975).

"In simple terms the basic element involves in performing the purchasing function are obtaining the proper equipment, material supplier and service in the right quality, in the right quantity, at the right price and from' the right source" It is a supplies management function that covers the acquisitions stage of supplies from receipt of the 'notice of need' to the final clearance of the invoice including negotiation, placing purchase orders, chasing delivery, recording purchases, clearing price checks on the invoices related to purchases Alijan, (1973)

2.2.2. Objectives of Purchasing

The objectives of purchasing can be classified into three levels including: general managerial level objectives, functional level objectives and detail/ operational level objectives Dobler (1996).

2.2.2.1 General Managerial Level Objectives

"The standard statement of the overall objectives of the purchasing function is that it should obtain the right materials in the right quantity, for delivery at the right time and place, from the right source with the right service {after and before sale) and the right price" Leenders (1989). In practice, it is difficult to fulfill all these equally for there exist inherent conflicts between some of the objectives in some buying situations. Hence some trade-offs become inevitable. From the top managerial perspective, purchasing has the following objectives, which can be explained in terms of the 5R's of purchasing

I. Right Quality: Quality is a much more complicated term than it appears. Dictionary definitions are usually inadequate in helping a professional understand the concept. It seems that every quality expert defines quality is a somewhat different way.

Right Quality is defined as simply 'fitness for purpose' or the British standard institution defines as "the totality of features and characteristics of a production or service that bear on its ability to satisfy a given need" Nair (1990).

Meeting this objective, purchasing must select items which have sufficient quality to fit users' requirements which are described in terms of specifications. And generally, the quality decisions are made by the technical staff.

The term quality as used in the field of purchasing carries quite a different meaning to the meaning that we usually associated with this word. In common usage, it refers to the excellent features of the subject, "The right quality is the suitable of an item for a given purpose Nair (1990)

II. Right quantity -The right quantity is more relevant to the purchase of consumables or parts or assemblies for manufacturing than for project buying. Fulfilling these objectives will enable to

provide a continuous and uninterrupted material at the minimum cost. In most organization the decision of how much to purchase is more important by the close relationship of purchases quantity and schedule use .The decision of how much to acquire follows clarification of what is acquired. Therefore before making decision considering factors that complicate that quantity decisions are essential, including: The larger the quantity is the lower the unit price. The larger the quantity the higher the storage costs the larger the quantity is the higher the risk of damage. The larger the quantity the higher the cost of items in storage the larger the quantity the fewer orders that will be place and hence the lower the ordering cost Parson, (1982)

III. Right price -A traditional purchasing objective is to obtain the lowest possible purchase price. However, the common practice is to obtain the best life cycle price or the lowest total acquisition cost. "The factor that affect the price of items are quality and quantity required, urgency of requirements, demand and supply of materials in the market, whether there is room for competition or not, whether the past business relationship was good or not' strained" Parson, (1982).

IV. Right time --The delivery of the contracted item to the right place at the right time is an important procurement function. Proper buying enhances production schedules without loading warehouse with excessive inventory and also minimizes the unfavorable effects of price changes. In case of regularly used or procuring' items, right time may mean the time when the stock reaches the minimum level adhering the responsibility shared both by the purchasing unit, and the approving body.

V. Right supplier -the right source is fundamental component or the major purchasing objectives. Basic information about the number and location of potential suppliers, the nature of products, prices charged and forecasts of the economic condition can be acquired if we are to analyze the supply market effectively rather than simply t buy from traditional sources which may not be competitive? But there are problems faced by the purchasing units emending securing right and permanent source of supply. The first problem is identifying potential source of supply, then selecting the right reliable supplier is also challenging. The most difficult challenge is to secure long-term relationship with the right supplier because of the dynamic nature of the business environment and continuous attempt of businesses to make better profit

relationship with the right suppliers might not last long. Hence periodic revision of the status of the relationship and making the necessary amendments in agreements is required.

2.2.2.2. Functional Level Objectives

The operational functional level perspective probes more deeply to develop a set of statements that provide practical and useful targets for decision-making purpose. This perspective contains eight basic objectives: such as to support company operations with uninterrupted flow of materials and services, to purchase competitively; it involves keeping abreast of the forces of supply and demand and regulates prices and availability of materials in the market place Dobler, (1996).

It also involves understanding of the suppliers cost structure and then negotiate price and service arrangement that are fair relative to the suppliers actual cost To keep inventory investment and inventory loss of at a practical minimum. Maintaining a large inventory is one way to achieve objective one, but it is also costly, hence the supply management job is to achieve a reasonable balance between the level of inventory required to support operations and the cost of carrying the inventory. Buying wisely involves a continual search for better values that yield the best combination of quality, service and price relative to buyers' need. It may also involve coordinating and reconciling user's need with supplier's capabilities, to achieve optimal values considering both Issues (Ibid)

To achieve maximum integration with the other departments of the firm it is essential to understand the major needs of their using departments, so that these needs can be translated in to materials support actions. The most common types of support actions are forecasting future prices and business conditions, performing economic make or buy analysis etc. To handle the purchasing and supplies management function proactively in a professional, cost effective manner. Cooperative suppliers that are willing to work with a buyer to help solve the buying organizations problems and to minimize its materials related costs are valuable resources. To develop good relationship with the supplier community and good continuing relationship with potential suppliers. The achievement of the preceding objective on a continuing basis is 'possible when mutually satisfactory continuing relationships are maintained (Ibid)

2.2.2.3. Detail Level Objectives of Purchasing

At this level, precise strategic purchasing plans are formulated. The focus is on the detailed objectives that are developed when precise buying plans are made for each of the major categories of materials the firm uses in its operation. These objectives are produced from the second level objectives and are applied to fulfill the specific needs associated with each type of purchase. The precise set of objectives for each material typically varies because the usage requirement, the operating conditions and the markets in which each material is purchased usually vary. These objectives focus on points like quality, sourcing, pricing, production and inventory planning.

2.3 General Procedure of Purchasing

Procedures used in completing a total transaction normally vary among different types of purchases and in different organizations. However, purchasing procedures refers to the way in which a purchase transaction is carried through from its inception to its conclusion. A purchasing proceeding usually begins with an investigation of new suppliers can be made for renegotiating contracts with existing suppliers. The general cycle of activities in purchasing most operating materials and suppliers is fairly standardized. The following steps constitute the typical purchasing procedures Dobler, (1996).

1. Organizing of purchase requisition.

The need for a purchase typically originates in one of a firm operating departments or in its inventory control section. It is a stimulus for purchaser to initiate purchasing. The essential information which requisition should contain includes a description of the material; quantity, date required; estimated unit cost; the date; an authorized signature.

2. Verification of purchase requisition.

The purchasing department verifies whether the requisition is appropriately filled or not.

3. Evaluation and selection of the supplier.

As soon as the need has been established and precisely describe, the buyer begins an investigation of the market to identify potential source of supply. In the case of routine items for

which supplier relationship have already been developed, little additional investing may be required to select a good source on the other hand the purchase of high-value or new item may require lengthy investigation of potential suppliers to make a decision about the most desirable supplier.

4. Preparation of purchase order.

Once a supplier has been selected the purchasing department prepares and issues a serially numbered purchase order. In most cases the purchase order becomes a legal contract document. For this and other reasons the buyer in preparing and wording the order should take great care.

5. Follow up

Also called expediting, purchasing bears full responsibility for an order until the material is received and accepted. When there is a reasonable chance that the supplier may not stay on schedule important orders with critical delivery date should receive active follow-up attention. There may be a need to speed up (expedite) or even delay (de-expedite) delivery if the buyer's timing requirements undergo unexpected changes.

6. Receiving and Inspection

The supplier ships materials with the packing slip, which itemizes and describes the contents of the shipments. The receiving clerk uses this packing slip in conjunction with his/her copy of the purchase order to verify that the correct material has been received.

7. Payment

The typical procedure involved is a simultaneous check of the purchase order, the receiving report and the invoice. By checking the receiving report against the purchase order, the purchaser determines whether the quantity and type of material ordered was in fact received. Then by comparing the invoice with the purchase order and received.

8. Evaluating the purchasing performance

Purchasers need to evaluate whether the materials purchased from the supplier have satisfied the

need of the users. This evaluation will help whether to consider the supplier next time. The specific procedures employed by each should be designed to meet the unique needs of that firm.

2.4 Purchasing Policy

"A policy is a statement that describes in very general terms may intend course of action. If policies are to function effectively, it is imperative that they be placed in written form. A purchasing policy manual typically has two distinct sections, one containing company policies which spells out in unmistakable terms the responsibility and authority at all departments, and the other containing department policies which inform personnel of the expected patterns of conduct for major buying activities and for relations with suppliers. The purchasing policies should be clearly communicated to the staff and other stakeholders. Medias for communicating this information to the company employee can be published regulation, Company informational booklet and departmental manuals Alijan, (1973).

According to Wasting, (1985), Purchasing policy places the authority and responsibly for purchasing in the purchasing department. Every transaction between a buyer and seller involving the transfer to property is a contract. From the beginning to the completion of a transaction' between a buyer and seller many problems are involved and the paper handling of these and the administering of the business' features connected with them are vital factors in the successful operation of the company. For this reasons, the authority and responsibility of purchasing rests with the purchasing department. The purchasing department is responsible to establish and administer purchasing policies, institute reports necessary to permit analysis of purchasing performance, negotiate and approve term contracts, analyze prices, paid for materials and generally define how to obtain saving and to co-ordinate purchasing procedures.

2.5 Empirical Evidences of the Study

This is evidences from several studies have been done on the role e of purchasing practice on organization performance in different parts of the world. Therefore, this is a discussion of some of recent studies on this arena.

According to Court et al (1997), strategic purchasing “is the development of ways of approaching and interacting with the supply-market, taking account of not only the present

situation but also how it might develop in the future”. He explained further that, strategic purchasing is based on the belief that, the buyers can determine and change the supply-market within which they function.

However, Tzokas et al (2007) defined strategic purchasing as “the process of planning, implementing, evaluating, and controlling strategic and operating purchasing decisions for directing all activities of the purchasing function towards opportunities consistent with the firm’s capabilities to achieve its long-term goals”. He stressed further that, strategic purchasing requires the buyer to take a much more proactive role in persuading suppliers to meet their needs or reverse marketing. Purchasing effectiveness is essential for business organizations operating in a competitive environment, Carter et al (1998). However, they argued that, sustaining an effective and efficient purchasing function requires that the organization formulates and implements an effective purchasing strategy upon which strategic purchasing is based.

According to Paulraj et al (2005) “the growing importance of supply management has led to an increasing recognition of the strategic role of the purchasing function, which has evolved into a strategic function, been recognized as a critical driving force in the strategic management of the suppliers and been relied upon to create value-added services”. Brookshaw et al (1997), however, argued that, the need for strategic purchasing by organizations is a response to emerging dynamics of competition in the global environment.

A study by Biruk Assefa (2006), Evaluating the purchasing procedure in Ethiopian grain trade Enterprise The research findings show that the poor quality of grain is attributable to the fact that no technical specifications are given to purchasers and disloyal act of suppliers. The paper discusses unreliable suppliers are causes of inefficient purchasing since the enterprise has no permanent source of supply. Further the problem of unclear purchasing procedure is mentioned as a research finding.

Similarly a study conducted by Mehari Mursue (2006), Local Purchasing Management Problems: the case of Almeda. His findings show that suppliers are selected using multiple criteria, which includes price, quality, supplier reliability and delivery promises. Also the list of permanent suppliers is given without any comment about their competence. Another finding is that the company is using both centralized and decentralized purchasing process. More over

according to Tewodros Walelgne (2006) study Purchasing Practice Problems in Addis Modjo Edible Oil Factory. He concludes that the least price selection criteria the company is currently using are bringing poor Quality materials and inefficient purchasing is causing price fluctuation of inputs.

As argued by Lysons (1992) that, the overall function of the purchasing department is to obtain materials of the right quality in the right quantity from the right source delivered to the right place at the right time at the right price. The purchasing function on the other hand though distinct from the function of the purchasing department, entails the basic objective of service provision in Ghana Telecom Company as well as other organizations in the business of buying and selling.

2.6 Conceptual Framework of the Study

According to Upton, (2001), a conceptual framework can be defined as a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a successive study. Therefore, a conceptual framework is a research tool intended to assist a researcher to develop awareness and understanding of the situation under examination and to communicate with a study Upton, (2001). Hence, a conceptual framework is used to outline possible courses of action or to present a preferred approach to an idea or thought that developed based on the literature reviewed in respective to study undertaken.

So, the conceptual frameworks for the study identify organization performance as dependent variable whereas purchasing process, purchasing evaluation mechanism, type of purchasing and purchasing ordered as independent variables. The above-mentioned independent variables directly impact organization performance and their intention the dependent variables, as to how the way to address these factors leads to the effect on purchasing practice at study will undertake. This more illustrated through the figure below

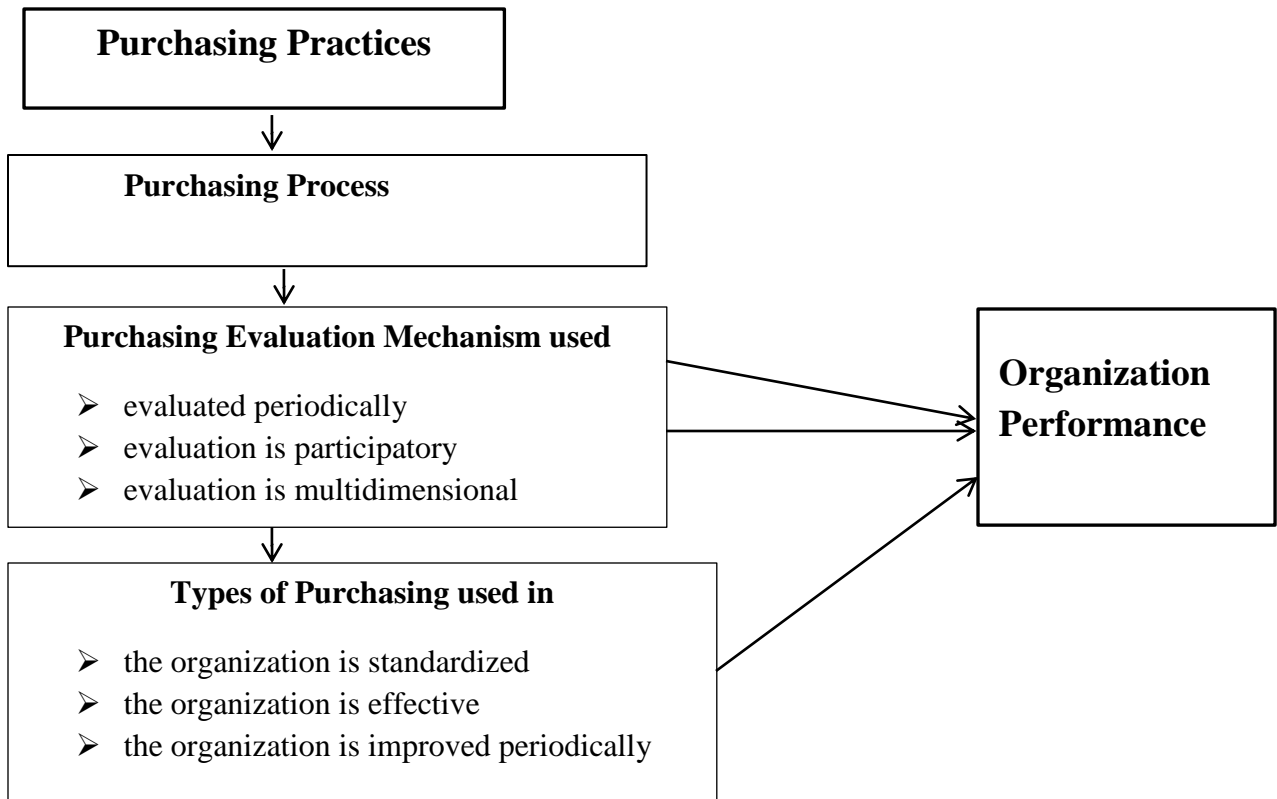


Figure 2:1: Conceptual framework of the Study

Sources: Developed by a Researcher, (2020)

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1. Introduction

This Chapter highlights the type of the research methodology; methods of data gathering tools together with the justifications for choosing one against the others. It will also describe on how these methods will be employed refers to the objective set earlier to address the purpose of this study and issues related to reliability and validity as well as ethical consideration within the proposed methods is being put in place briefly.

3.2 Research Design and Approach

For the purpose of this study descriptive research design was applied. In this study mixed research approach particularly concurrent triangulation method was adopted and in order to accomplish the proposed research with respect to the objective and the nature of research questions of the study, both quantitative and qualitative research approach was adopted. The reason behind selecting the mixed method is because the initial result of the study needs to be further explained it would also give an opportunity to draw advantages from both qualitative and quantitative methods.

3.3 Data type, Source and Data Collection Technique

This study used a primary source of data by developing a close-ended questionnaire to be filled by the respondents to collect the relevant data, which aligns with the research objective.

3.4 Target Population and Sample

3.4.1 Population

The populations of this study are the staff of departments and directorates of African Union Commission. The current population of the staff in departments and directors the African Union Commission is 864. The target population of this study is all permanent employees the African Union Commission. The target group included a range of positions from junior level staff to senior management staffs of departments and directors (864) employees.

3.4.2 Sample Size and Sampling Technique

The sample size for this study is determined by using the simplified formula of Yemane, (1967) which is developed to calculate sample sizes? Currently African Union Commission departments and directors have 864 permanent employees above 3 months of work experience.

$$n = \frac{N}{1 + Ne^2}$$

Where **n** is the sample size, **N** total population and **e** the error factor. For 95% accuracy the error factor **e** is 0.05. Replacing this into the equation we get

$$n = \frac{864}{1 + 864(0.1)^2} = \frac{864}{1 + 864(0.01)} = \frac{864}{9.64} = 89$$

Where *n*=sample size, *N* is the total population, and *e* is the level of precision

Sample size determination

Departments	Total Employee	Sample
Deputy Chair person	32	4
Peace and security	199	20
Infrastructure and energy	42	4
Trade and industry	28	3
Human Resources, Science and Technology	42	4
Ruler economy and agriculture	50	5
Political Affairs	35	4
Social affairs	47	5
Economic affairs	18	2
Directorates	Total Employee	Sample
Administration and human resources management	169	17
Programming, budget, finance & accounting	85	9
Conference management and publications	80	8
Medical & Health Services	37	4
Total	864	89

3.4.3 Sampling Technique

The sample technique employed was both stratified and simple random sampling to obtain proper representative of each department under each job position. Since the population is heterogeneous with respect to department, profession, income, gender, and age, stratified sampling technique was used. Due to the objectivity and the nature of the sample population, other methods like cluster sampling and non-probability sampling techniques were found to be less appropriate in this descriptive survey. The researcher obtained the lists of employees from their respective department and respondents were randomly selected from each department and job position using their list so as to have equal and appropriate representative.

3.5 Validity and Reliability Test

3.5.1 Validity

Validity refers to the data must be true and accurate. The questionnaire was developed based on research objectives and research questions and designed using literatures. Questionnaires which were not correctly filled were dropped in order to draw right conclusions. The valuable comments, corrections, suggestions that were given by the research experts assisted the validation of the instrument. Accordingly, based on the approval obtained from the advisor, the questionnaire was considered as valid data collection tool.

3.5.2 Reliability Test

Reliability refers to the consistence, stability or dependability of the data. Therefore, in order to get the reliable data the researchers was use pre-testing of the questions and distributed after revises and the researcher try to get dependable consistent data to know its reliability.

3.6 Methods of Data Analysis

The data obtained from the questionnaire were analyze using tables and percentage. Moreover, the qualitative data and the data gathered through interview method and the open-ended form of the questionnaire summarized and presented in the form of narrations. Generally as basic analysis methods the researcher used descriptive statistics, for the quantitative data to find out the relation between the dependent and independent variables. The correlation analysis between

each factor and purchasing practice has been analyzed based on measures of associations and descriptive adjectives using SPSS. Facts of the study have been presented in tables.

3.7 Reliability

To test for the reliability the questionnaire was distributed for selected employees of the company before the actual data collection. This was done on 89 employees of African union. According to the results obtained, the data collection instrument was consistent and dependable in measuring what it intends to measure. From the result of the 89 distributed and evaluated questionnaires the following result was obtained using Cronbach's Alpha on SPSS.

	Cronbach's Alpha	Internal consistency
Purchasing process	0.87	Good
Purchasing evaluation mechanism	0.88	Good
Types of purchasing	0.76	Acceptable
Performance	0.89	Good

Cronbach's alpha reliability coefficient normally ranges between 0 and 1. The closer the alpha coefficient to 1 implies the greater the internal consistency. The closer the value of alpha coefficient to 0, the internal consistency is unacceptable. In this study, the researcher used the rule of thumb developed by (George and Mallery 2003), where an alpha value ≥ 0.90 is excellent, ≥ 0.80 is good, ≥ 0.70 is acceptable, ≥ 0.60 is questionable, ≥ 0.50 is poor, ≤ 0.50 is unacceptable.

Since the value of Cronbach's alpha of all the constructs was at least acceptable as shown on table-above we can conclude that the data collection instruments were consistent and reliable through the stated measurements

3.8 Ethical Considerations

The present study was conducted based on the permission obtained from AU of the respective company were clearly instructed on top of the questionnaire that, the study is conducted to explore the assessing purchasing Practice of AU and it is truly used for academic purposes only. For the sake of protecting the privacy of the respondents, clear instructions were put on the

first page stating that, employees were not forced to fill the questionnaire, or they were not required to write their names and addresses on the questionnaire. Finally, the researcher did not mention his name on the questionnaire as many of them knew that he is one of the members of the management and they may not feel comfortable to give their genuine answers regarding some of the items in the questionnaire.

In case of the structured interview admission, the managers and supervisors are communicated for the interview questions at least two days before the meeting. The researcher intention was to give adequate time for preparation to avail the required data for the interview. And before the interview session the researcher confirmed again the willingness of each interviewee.

CHAPTER FOUR

RESULT AND DESICUSION

4.1 Introduction

This chapter deals with data presentation, interpretation and analysis of the study. It has two main parts: the first part is demographic characteristics of respondents; the second part address answers for the research questions. In order to address the research questions, 89 questionnaires were prepared and distributed to Africa union workers in different departments, out of these questionnaires 85 were filled and returned, the rest 4 questionnaires were unreturned, and no questionnaires were discarded due to missing data.

The demographic variable of the respondents had the following variable such as, sex/gender, educational level, Service year in AU and Position. The demographic variable of the research participant were analyzed in the form of percentage.

In order to determine the gender distribution in the organization, the respondent where asked to indicate there by checking either male or female in the questionnaires. The finding showed that below male respondents were more than with female respondents. This indicating that among (85) respondents, 70 or 82.35 % were males whereas 15 or 17.65% were females, so in thesis research male participation was more than female.

4.2 Demographic Characteristics of the Respondents

The following demographic characteristics of respondents were analyzed Age of the employees, departments where they work, level of education and years of experience.

Table 4.1: Educational Level and Age group cross tabulation

		Age group				Total
		≤30	31-35 year	36-40 year	≥41	
Educational status	BA/BSc	9	8	8	3	28
		32.15%	28.57%	28.57%	10.71%	100.0%
	Masters	3	20	20	10	53
		5.66%	37.74%	37.74%	18.87%	100.0%
	PhD and above	0	1	2	1	4
		0%	25%	50%	25%	100.0%
Total		12	29	30	14	85
		14.12%	34.12%	35.29%	16.47 %	100.0%

According to Table 4.1 presented above, it clearly shows 28(32.94%) of the respondents were degree holders, 53(62.35%) were Masters Holders and 4(4.71) PhD and above holders. Furthermore, 12(14.12%) respondents were whose age is categorized less than and equal to 30 years, 29(34.12%) respondents were in between 31-35 years and the rest, 30(35.29%) and 14(16.47%) respondents were whose age groups fall in between 36-40 and 41 and above respectively. In terms of the proportion majority of respondents was masters holders followed by degree and PhD and above respectively. 67.06% of the respondents are Masters and above Masters holders which show that they have adequate qualification to understand and respond the Questionnaire which makes the data and analysis more reliable. The age group proportion shows majority of the respondents were (36-40) followed by 31-35, less 30 and above 41 respectively.

This means that most of the workers in the organizations are young's and adults which means they are responsive for technological adoptions and implementations. Educated person is expected to appreciate new ideas better and quicker than their counterparts (the less educated farmers). From these points of views, education is a source of knowledge; qualification is the predetermining factor to be considered in origination performance implementations. So from the result majority of the respondents are degree and above holders so it has significant importance in implementing the system.

Table 4.2: Experience and Educational status Cross tabulation

		Educational status			Total
		BA/BSC	Maters	PhD and above	
Experience	≤ 5	5	20	0	25
		20%	80%	0%	100.0%
	6-10	15	20	2	37
		40.54%	54.05%	5.41%	100.0%
	Above 15	8	13	2	23
		34.78%	56.52%	8.69%	100.0%
Total		28	53	4	85
		32.94%	62.35%	4.71%	100.0%

As table 4.2 shows above, 25(29.41%) respondents were who works for 5 and less year proportion with different level of educational levels, 37(43.53%) participant were who works 6-10 years in the organization proportion with their level of educational level mentioned above. The rest, 23(27.05%) respondents were who works for 11-15 years

Besides; majority of the respondents who participated in the study has worked from 6 to 10 & less 5 years in the institute compared to the first category proportion with their level of education. This indicates that, the work experience of the respondents had adequate exposure to the work area and had a potential of responding reliable responses.

This study found that no matter how the level of working experience is high or low but the predetermining factor is qualification to use the a system. Farther more, while the level of experience is increasing, the fitness of qualification become increasing; however, it may builds over confidence and it might be another problem in using the system effectively. Level of educational and year of experience is much related concepts in technological adoption and usage.

Table 4.3: Department and Age group Cross tabulation

		Age group				Total
		≤ <30	31-35	36-40	≥ >40	
Deputy Chair person		2	0	1	1	4
		50%	0%	25%	25%	100%
Peace and security		2	5	10	1	20
		10%	25%	50%	5%	100%
Infrastructure and energy		3	0	0	1	4
		75%	0%	%	25%	100%
Trade and industry		1	1	0	0	3
		33.33%	33.33%	0%	%	100%
Human Resources, Science and Technology		1	0	2	1	4
		25%	0%	50%	25%	100%
Ruler economy and agriculture		0	4	0	1	5
		0%	80%	0%	20%	100%
Political Affairs		0	2	0	2	4
		0%	50%	0%	50%	100%
Social affairs		0	2	0	3	5
		0%	40%	0%	60%	100%
Economic affairs		0	0	1	1	2
		0%	0%	50%	50%	100%
Administration and human resources management		2	7	8	0	17
		11.76	41.17	47.05	0%	100%
Programming, budget, finance & accounting		2	4	2	1	9
		22.22	44.44	22.22	11.11	100%
Conference management and publications		0	4	2	2	8
		0%	50%	25%	25%	100%
Medical & Health Services		0		4	0	4
		0%	0%	100%	0%	100%
Total		12	29	30	14	85
		14.12	34.12	35.29	16.47	

The above cross tabulation result shows the proportion of who are working in department across different age groups were 4(4.71%) respondents were working Deputy Chair person, 20(23.53%) of the respondents were who are working at Peace and security proportion with column age groups 5(5.88%) respondents were working at ruler economy and agriculture computing with age groups, 2(2.35%) respondents were who working at Economics affaires, 17(20%) participant were working at Administration and human resources management,. The rest are 9(10.59%) and 8(9.41%) were who are working at Programming, budget, finance & accounting and Conference management and publications departments respectively.

In terms of proportion out of the different age categories 31-35 and 36.40 years respondents were involving in different department compared to the other age groups. From the listed departments, majority of the respondents 20(23.53%) were working at Peace and security.

4.3 Descriptive Analysis

Murry. J. (2013) and” kind of rule of thumb to create equal intervals for a range of five points Likert scale (that ranges from strongly agree to strongly disagree in the survey questionnaire). According to Scott 1999 explained for Likert scale data from 1 (Strongly agree) to 5 (Strongly Disagree) if the sample is approximately normally distributed the interpretation should be intended for mean up to 2.8 is “Agree”, mean between 2.9 and 3.2 is “Neutral”, and mean above 3.21 is “Disagree. Therefore, the decision of each variable statistics is done based on these criteria.

In the process of analyzing of the data, standard deviation was used. Small standard deviations (relative to the value of the mean itself) indicate that data are close to the mean whereas a large standard deviation (relative to the mean) indicates that the data points are distant from the mean. The mean is a poor fit of the data. Standard deviation is a measure of how well the mean represents the data. All of the variables were measured using a five-point Likert scale where 1 stands for Strongly Agree and 5 stands of strongly disagree. Therefore, the interpretation made using the mean of each variable, as a matter of fact the mean falls between the two ranges, hence if the mean approaches to 1 the interpretation would be the respondents agree on the raised issue or variable and if it approaches to 5 the reverse would be true.

Table 4.4: Purchasing process of African union

	N	Mean	Std. Deviation
There is no delay in purchasing of the Required item	85	2.8590	0.8838
The organization has efficient performance of purchasing in terms of right Time	85	2.6538	0.9255
The organization sufficient performance of purchasing in terms of right Price	85	2.8462	0.936856
The organization Purchasing high quality of item	85	2.9551	1.31170
The organization don't receiving wrong item and quantity	85	2.8590	0.87866
Purchasing departments can help to improve quality by establishing target performance levels for quality	85	2.6667	0.97676
The purchasing process is not violate a procedure	85	2.83521	0.925845
Valid N (listwise)	85		

The above table showed the Purchasing process of Africa union for the need of organizational processes. To rate the Purchasing process of Africa union system the respondents gave the lower mean score (which is agreed) was is there is no delay in purchasing of the required item (mean score of 2.85). Basically, a small standard deviation means that the values in a statistical data set are close to the mean of the data set; on average so the standard deviation of the variables there is no delay in purchasing of the required item 0.8838 which means the data is consistent with the mean. The results are indicative of the Africa union purchasing system is helpful in improving the organizational existing working practice by considering in the stage of system development. The system to be effective and productive it should be in line with the previous working practice that has been implemented in the organizations.

The second factors for rating the purchasing process of the system in the organization has efficient performance of purchasing in terms of right time is 2.65 hence, the variables lays in agree level therefore, the Africa union system is compatible since the system is consistent with no delay in purchasing of the required item and efficient performance of purchasing in terms of right time. Standard deviation of the variables the efficient performance of purchasing in terms of right time is 0.9255 which means the data set consistent with the mean value since the standard deviations is less than one. Best-practices is and have been in focus for many years, in practice it means that organizations adopting purchasing in terms of right time has to decide on if

they should follow the inherited business processes in the purchasing system . It can be claimed that the longer time purchasing system been developed the more the system have developed its best-practices. Departing from legal requirements to industry-standards, to complete business workflows and daily tasks translates into consolidated and harmonized process as well reporting which improves user productivity the system should be incorporate with the organization has efficient performance of purchasing in terms of right time

On the other hand, factors considered in rating the purchasing process is implementation in the organization the organization don't receiving wrong item and quantity which is the mean score of 2.84, it means the respondents were agreed as the organization don't receiving wrong item for being cost effective and managing their resources. Implementing purchasing process systems brings an organization's business process and data access together in an integrated manner resulting in significant changes in how organizations do business. These benefits are obtained through refined business processes, improved quality and availability of information and streamlined process flows.

Purchasing departments can help to improve quality by establishing target performance levels for quality of the organization which is the mean score of 2.95 and the purchasing process is not violate a procedure the mean score is 2.66. These two variable indicates that the mean score lays also in agree level. From the result the system was able to describe many of the complex dynamics of change in the organizations. Contributions point to the identification of the importance of purchasing process system in the development organization performance; to the effective implementation of organizations vision, mission and goal and achievement of strategic change.

Table 4.5: Purchasing evaluation mechanism in African union

	N	Mean	Std. Deviation
The purchasing practice evaluated periodically	85	2.5833	0.83216
The purchasing evaluation method is standardized	85	2.6667	0.87879
The purchasing evaluation is participatory	85	2.7885	0.83398
The purchasing evaluation is multidimensional	85	2.8397	0.8008
Unavailability of some materials in the local market	85	3.2115	0.92475
Valid N (listwise)	85		

First by considering the mean analysis, as shown in the above table 85 respondents were asked conditions under how the Purchasing evaluation mechanism in the organizational? They responded as follows: in order to Purchasing evaluation mechanism in the organizational systems the purchasing practice evaluated periodically mean score is 2.58, it mean that the research participant agree as the Purchasing evaluation mechanism periodically in the organization. From the result table the standard deviation is less than one (0.83) it means purchasing practice evaluated periodically is more consistent to the average value. The result indicated Purchasing evaluation mechanism periodically improve the purchased material and effectiveness in a number of ways. for the question said the purchasing practice evaluated periodically the aim of purchasing evaluation mechanism the mean value is 2.5833 which indicate employees agree it fall at agree stage; the second question which the purchasing evaluation method is standardized the mean value was 1.6667; which is interpreted as employees neither agree on this matter it fall at agree stage. 2.8397 was the mean result of the purchasing evaluation is, the mean result fall at agree level which indicates employees are agree unavailability of some materials in the local market a mean value of 3.2115 which fall in the agree level, which implied the purchasing evaluation mechanism in the organizations is periodically and standardized.

Table 4.6: Types of purchasing

	N	Mean	Std. Deviation
The type of purchasing used in the organization is standardized	85	3.05	0.83044
The type of purchasing used in the organization is effective	85	3.09	0.87747
The type of purchasing used in the organization is improved periodically	85	2.81	0.97317
Valid N (listwise)	85		

First by considering the mean analysis, as shown in the above table 85 respondents were asked conditions under how the types of purchasing in the organization. The statement of the type of purchasing used in the organization is standardized the mean value is 3.05 and 0.83044 standard deviation (the responds were lay in neutral stage) this implies the employs neither agree nor disagree in the type of purchasing used in the organization is standardized. The second question which deals about the type of purchasing used in the organization is effective the mean value was

3.09; which is the same as the first question and interpreted as employees neither agree nor disagree on this matter. The type of purchasing used in the organization is improved periodically a mean value is 2.81, which fall in the agree stage, implied that the employees agree at the organization there is the type of purchasing used in the organization is improved periodically. Therefore according to the respondents answer the organization were used the purchasing type is standardized and effective to the organization performance the respondents not well known.

Table 4.7: Organization performance

	N	Mean	Std. Deviation
The purchasing practice is contribute the organization performance	85	2.58	0.83044
The purchasing practice is effective in the improvement of the organization performance	85	2.62	0.87747
Valid N (listwise)	85		

The above table showed the organization performance Accordingly, for the question the purchasing practice is contribute to the organization performance the mean value is 2.58 which indicate employees agree on this matter it fall at agree stage; the second question the purchasing practice is effective in the improvement of the organization performance the mean value was 2.62; which is the same as in the first stage it interpreted as employees agree on this matter it fall at agree stage. Organizational performance involves analyzing a company's performance against its objectives and goals. In other words, organizational performance comprises real results or outputs compared with intended outputs. The analysis focuses on three main outcomes, first, shareholder value performance; second, financial performance; and third, market performance. Many types of professionals, including strategic planners, focus on organizational performance. In general purchasing systems are increasingly seen by organizations as essential strategic contributors to their value proposition. Because of this, the need to improve the purchasing processes in order to improve the organization performance efficiently as the descriptive result shown

4.4 Correlation Analysis

Pearson correlation test was conducted to check the magnitude of correlation between the dependent variable (organization performance) and independent variables, factor affecting organization performance (Purchasing process ,Purchasing evaluation mechanism and Type of purchasing are Factors). The dependent variable tested against each independent variable. The researcher also used the same test to prove or disprove the hypotheses. To check the magnitude of correlation between the dependent and independent variables the following measure of association developed by Mac Eachron (1982) was used as a reference.

Table 4.8: The measures of associations and descriptive Objectives

Measure of Association	Descriptive Adjective
> 0.00 to 0.20 ; < -0.00 to -0.20	Very weak or very low
> 0.20 to 0.40; < -0.20 to -0.40	Weak or low
> 0.40 to 0.60; < -0.40 to -0.60	Moderate
> 0.60 to 0.80; < -0.60 to -0.80	Strong or high
> 0.80 to 1.0; < -0.80 to -1.0	Very high or very strong

Source: This table is from MacEachron, (1982) *Basic Statistics in the Human Services: an Applied Approach*, and page 13

From the correlation matrix below, the researcher found the following results under each construct, supported with their related empirical evidences.

Table 4.9: Correlation Matrix between Purchasing practices and Organization performance

		Purchasing process	evaluation mechanism	Type of purchasing	Performance
Purchasing process	Pearson Correlation	1			
evaluation mechanism	Pearson Correlation	.441**	1		
Type of purchasing	Pearson Correlation	.520**	.598**	1	
Performance	Pearson Correlation	.275**	.183*	.155*	1

Source: own survey, 2020

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

* . Correlation is significant at the 0.05 level (2-tailed)

Correlation Analysis between Purchasing process and organization performance

The result of Pearson correlation test between the dependent variable organization performance and the independent variable Purchasing process showed that, there is a positive relationship between the two variables at the significance level of ($R=.275^{**}$), ($P<0.01$). According to MacEachron (1982) measure of association, the magnitudes of relationship between the two variables are weak or low.

Correlation Analysis between purchasing evaluation mechanism and organization performance

Pearson correlation test was conducted to know the degree of association between the dependent variable organization performance and the independent variable purchasing evaluation mechanism Hence, the result of the study showed that, both variables are positively correlated to one another at a significant level of ($R=.183^*$ ($P<0.05$)). Based on MacEachron, (1982), measure of association, the magnitudes of relationship between the dependent and independent variables are Very weak or very low.

Correlation Analysis between Type of purchasing and organization performance

The result of Pearson correlation test between the dependent variable “organization ’ performance” and the independent variable “Type of purchasing” showed that, there is a statistically significant positive relationship between the two variable at the level of ($R=.155^*$) ($P<0.01$). MacEachron, (1982) classified this magnitude of relationship as a moderate.

4.5 Multiple Regressions Analysis

To find out the linear relationship between dependent variable and with more than one independent variable linear multiple regressions is used. The factors such as purchasing practice are treated as independent variables and organization’ performance as dependent variables. To develop the regression line formula, the dependent and the independent variables are denoted as, (X_1 =purchasing process, X_2 =purchasing evaluation mechanism, X_3 = type of purchasing,) and the dependent variable, Y =organization ’ performance.

On the process of developing the equation of multiple regression, The researcher conducted the five assumption that have to be fulfilled before testing multiple linear regression which are the assumption of normality, linear relationship, homoscedasticity, independence of errors and multicollinearity are discussed in chapter three using SPSS. Model summary of the regression result, the ANOVA, standardized and unstandardized β coefficients have been presented to find out all the necessary relationships between the dependent variable (organization performance) and independent variables (factors)

Assumption of Multiple linear Regressions

Assumption1. There is no Multicollinearity problem in the data

Analysis of co linearity statistics shows this assumption has been meeting as VIF score were below 10 and tolerance score above 0.2

Variable	VIF	1/VIF
purchasing process	1.57	0.635605
purchasing evaluation mechanism	1.54	0.649868
type of purchasing	1.27	0.785625
Mean VIF	1.46	

Assumption 2 Heteroskedasticity Test

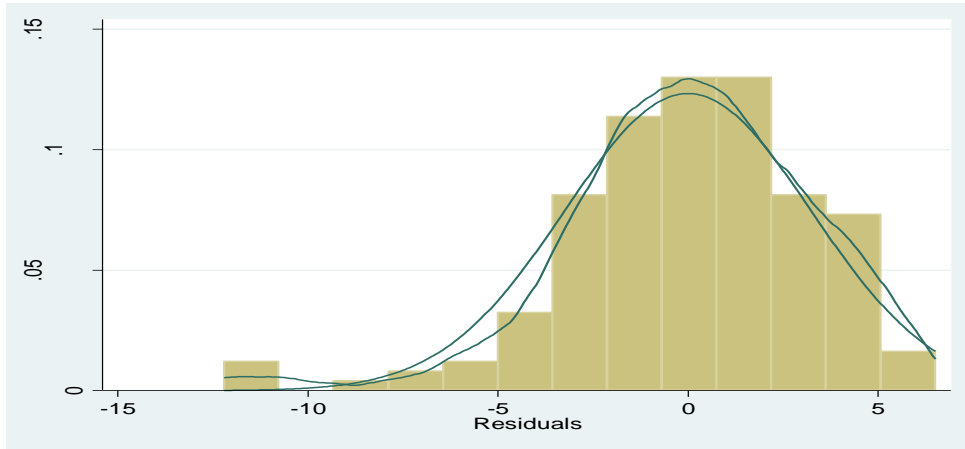
The interpretation of Breusch-Pagan test is done using the p value, if the p value is less than 5% significant level it is the indication of heteroskedasticity .accordingly as show the table below the result of the test shows there is heteroskedasticity problem since the p value is less than 5% significant level, so in order to avoid the problem the researcher the used weighted regression analysis

Table 4.10: Heteroskedasticity Test

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
Ho: Constant variance
Variables: fitted values of PerformanceEM
chi2(1) = 9.50
Prob > chi2 = 0.0021

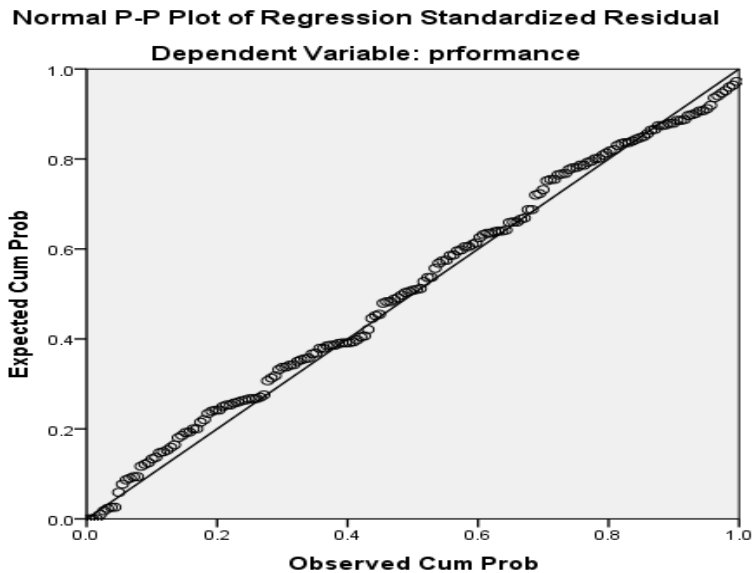
Assumption 3. Normality test

The P.P plot for the model suggested that the assumption of normality of the residual have been meeting or the graph shows that the normality test the variable are normally distributed which mean the distribution of the variable are normally distributed



Assumption 4. the relationship between the independent variable and the dependent variable are linear

The relationship between the independent variable and the dependent variable are linear as the scatter plots shows that this assumption had been meet



Assumption 5.the value of the residual is independent

The Durbin-Watson statistics showed that this assumption had been meeting as the obtained value was close 2 (durbin-watson1.86)

Result of regression analysis

Table 4.11: Model summary of the regression result

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin -Watson
1	.741 ^a	.549	.541	.33720	1.86

a. Predictors: (Constant), purchasing process , purchasing evaluation Mechanism , type of purchasing

Table 4.12 ANOVA for the relationship of factors and employees’ performance

ANOVA					
	Sum of Squares	Df	Mean Square	F	Sig.
Regression	4371.936	4	1092.984	7.570	.000
Residual	23967.930	166	144.385		
Total	28339.867	170			

Source: own survey, 2020

The regression model considered organization’s performance as dependent variable and the factors affecting performance for the individual factor as the independent variables. A multiple regression analysis is conducted to evaluate how well the three factors predict organization’s performance. As it is depicted above the table-4.10 and table-4.11, the linear combination of the four factors is significantly related to organization performance (**R² =0.549, F= 7.570 and P<0.001**). This means that, **54.9%** of the positive variance of employees’ performance in the sample can be accounted for by the linear combination of the three factors that affect organization performance which are purchasing process. Purchasing evaluation Mechanism and type of purchasing

The table above shows that the sig (ANOVA .P=0.000) and it was indicated the overall significance of the model .generally the ANOV Analysis table above clearly depicted or explained the existence of the relationship between the independent variable which were purchasing process, Purchasing evaluation Mechanism, and type of purchasing the dependent

variable organization performance along with showing the normality distribution of the data or the overall significant of the variables are significant at a significant level of 5%

Table 4.13: Regression Analysis Output)

Variable	Unstandardized		Standardized		t	Sig.
	Coefficients		Coefficients			
	B	Std. Error	Beta	Std. Error		
(Constant)	3.416	.193			17.710	.000
Purchasing process	.015	.007	.157	.078	2.012	.046
Evaluation Mechanism	.019	.007	.240	.090	2.673	.008
Type of purchasing	.014	.006	.192	.089	-2.158	.032

Source: own survey, 2020

The multiple linear regression result

$$Y=3.416+.157 X1+.240 X2+.192 X3 +e$$

The regression model points out the relationship between the dependent and the independent variable. The model result suggested that Purchasing process, Evaluation Mechanism and Type of purchasing have appositve and a significant at $p<0.05$.

The first variable coefficient of Purchasing process result of the model show that $\beta=0.56$ this implies that a one unite of Purchasing process increased will leads to an increase organization performance by 15.7 %.the literature shows that the result of empirical studies and against the proposition that company's performance is positively related to its purchasing process .

The second variable coefficient of purchasing Evaluation Mechanism has $\beta =0.240$ this means that a one unit increment of Purchasing Evaluation Mechanism will leads to an increase Organization performance by 24%. Empirical evidences shows purchasing Evaluation Mechanism and organization performance has a significant and positive relationships for instance a research conducted by (Hee and Jing 2018)

The third variable coefficient of Type of purchasing $\beta=192$ this means that a one unit increment of Type of purchasing will lead to an increase organization performance by 19% Different empirical evidences shown as Type of purchasing and organization performance are a positive and significant relationship.

Similar results have been observed on the empirical research of Tewodros Walelgne (2006) study Purchasing Practice Problems in Addis Modjo Edible Oil Factory. He concludes that the least price selection criteria the company is currently using are bringing poor Quality materials and inefficient purchasing is causing price fluctuation of inputs. Similar study conducted by Biruk Assefa (2006), Evaluating the purchasing procedure in Ethiopian grain trade Enterprise The research findings show that the poor quality of grain is attributable to the fact that no technical specifications are given to purchasers and disloyal act of suppliers. The paper discusses unreliable suppliers are causes of inefficient purchasing since the enterprise has no permanent source of supply. Moreover according to Paulraj et al (2005) “the growing importance of supply management has led to an increasing recognition of the strategic role of the purchasing function, which has evolved into a strategic function, been recognized as a critical driving force in the strategic management of the suppliers and been relied upon to create value-added services.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

The main purpose of this research study was to assess effect of purchasing practice on organization performance in African union. The study aimed to evaluate the effect of purchasing practice on organization performance, to review the purchasing evaluation mechanisms of the organization, to investigate the overall purchasing practice of the organization and to assess the different purchasing types that are employed in the organization. This section presents the summary, overall conclusion of the study, and finally recommendations for both the organization and for researchers, and finally the limitations of the study.

5.1 Summary

The purchasing function within an organization contributes to the success of the organization as other functions in areas such as marketing, finance and accounting, engineering, and operations and it helps in reducing cost of purchases and thus enhances the company's profit and effectiveness.

The findings of the study shows that majority of the respondents who participated in the study have worked from 6 to 10 & above 15 years in the organization. 54.05% of the respondents were masters and above holders that shows they have adequate qualification to better understand and adopt the system.

The descriptive analysis of the study shows the age group proportion and majority of respondents were (36-40) followed by 31-35, less 30 and above 40 years respectively. This means, most of the workers in the organization are young and adults and are responsive for technological adaptation and implementation. On the other hand, the descriptive analysis result indicates the respondents result shown the purchasing process in the study area is helpful in improving the organization performance.

The purchasing practice in the organization is consistent with existing work practice and compatible with preferred work style. As far as the organization long term strategic objective concerned, a question which deals about the purchasing process and purchasing evaluation mechanism has been done considering the long term strategic objective of the organization

5.2 Conclusion

From the finding of the study, purchasing practice enables the integration of units and the system helps in customization and obtaining the benefits expected from purchasing evaluation mechanism. The system adopted by AUC is centralized and this centralization control purchasing practice enables the organization to improve its organizational performance.

Generally, Purchasing is a process involving the provision of raw materials, tools and equipment of the right quality in the right quantity, at the right time, at the right price and from the right place (source).The contributions of purchasing towards the profitability of an organization is to maintain a continuous supply of material to support the company's operation.

Finally, the result of the study indicates the effect of purchasing practice on the organization performance in African Union has a positive contribution on the performance of the organization. To conclude based on the findings, the case study has reflected that the purchasing practice implementation of African union was adequate in terms of purchasing practice, evaluation mechanism and types of purchasing used in the organization and was helpful for the organization performance.

5.3 Recommendation

Based on the above findings and conclusion the following points as recommendation are provided

- There should be adequate awareness, training and involvement of employee of the benefit and usage of purchasing practice so as to reduce employee resistance to the implementation of purchasing practice systems. Since the major purpose of purchasing practice system implementation is to reinforce the efforts and performance of employees towards the achievement of organizations goals and objectives, African union has to do a lot by delivering the required training programs for both end-user as well as super users to bring the required level of skills on the process
- The study recommends that there should be enough technical support personnel, carefully considered choice of purchasing practice and evaluation mechanism, so as to reduce the effects of the resistance of the employees. Since a purchasing practice is an

organization-wide solution and its users are in various departments, the team you build should be cross-functional and cross-departmental from highly-skilled to active daily users of the system.

- Communication should be open and frequent by having briefs on daily meetings with the team to keep on progression and address any issues that may have impact.

5.4 Suggestions for Future Study

This research study has focused on the effect of purchasing Practices on organization performance. However, it was limited to only three practices of purchasing such as purchasing process, purchasing evaluation mechanism, and type of purchasing .Therefore, this topic should be further conducted by incorporating other different purchasing practices at different areas in various organizations to investigate organization performance.

The findings of this research are stepping stone which leads to a better understanding of the effect of purchasing practices on organization performance. However, further similar research with similar environment should be conducted.

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ST.MARY'S UNIVERSITY

Department of Masters of Business Administration

Questionnaire to be filled by The Employees of AU.

Dear respondents;

The purpose of this questionnaire is to collect data for a research entitled “**The Effect of purchasing practice on organization performance in African Union.** This information will be used primarily for the research to be under taken to fulfill the requirement of **St.Mary’s university** to graduate in Masters of Business Administration. All information and data you provide to this study will be kept confidentially and will be used for academic purpose only. I would like to thank in advance for your honest cooperation and timely response.

Note:

1. No need of writing your name
2. Please return the completed questionnaire on time
3. Please put a tick mark “√” on the space provided

PART ONE: Demographic information

1. Gender: Female Male

2. Age: _____

3. Educational qualification

PhD Masters BA/B.Sc. Degree Diploma Other (Specify

4. Service year in AU _____

5. Job Position _____

PART TWO: Questions related to purchasing Practices

Listed below are a series of statements that represent Purchasing practices. With respect to your own feeling about these Purchasing practices regarding AU please, indicate the degree of your agreement or disagreement with each statement by putting a tick mark (√) on one of the five alternatives. *Responses are measured on 5- point scales with the following verbal anchors: Strongly Disagree (1), Disagree (2), Neither Disagree or Agree (3), Agree (4) and Strongly Agree (5).*

1	Purchasing process	Strongly Disagree (1)	2	3	4	Strongly agree (5)
1.1	There is no delay in purchasing of the Required item					
1.2	The organization has efficient performance of purchasing in terms of right Time					
1.3	The organization sufficient performance of purchasing in terms of right Price					
1.4	The organization Purchasing high quality of item					
1.5	The organization don't receiving wrong item and quantity					
1.6	Purchasing departments can help to improve quality by establishing target performance levels for quality					
1.7	Capacity Gap regarding contract management in Procurement					
1.8	There is no Late submission of request					
1.9	The purchasing process is not violate a procedure					
2	Purchasing evaluation mechanism	Strongly Disagree (1)	2	3	4	Strongly agree (5)
2.1	The purchasing practice evaluated periodically					
2.2	The purchasing evaluation method is standardized					
2.3	The purchasing evaluation is participatory					
2.4	The purchasing evaluation is multidimensional					
2.5	Unavailability of some materials in the local market					
3	Types of purchasing	Strongly Disagree (1)	2	3	4	Strongly agree (5)
3.1	The type of purchasing used in the organization is standardized					
3.2	The type of purchasing used in the organization is effective					
3.3	The type of purchasing used in the organization is improved periodically					
4	Organization performance	Strongly Disagree (1)	2	3	4	Strongly agree (5)
4.1	The purchasing practice is contribute the organization performance					
4.2	The purchasing practice is effective in the improvement of the organization performance					

Thank You for your cooperation!