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## **FACTORS AFFECTING PROCUREMENT PERFORMANCE IN NON-GOVERNMENTAL ORGANIZATION IN ZAMBIA**

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## **FACTORS AFFECTING PROCUREMENT PERFORMANCE IN NON-GOVERNMENTAL ORGANIZATION IN ZAMBIA**

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### **Abstract**

**Purpose:**The main objective of the study was to establish the factors affecting procurement performance at PATH. The study was conducted to examine the impacts of staff qualification, information and communication technology, procedure and departmental collaboration on procurement performance.

**Methodology:** Study Design:Mixed Methods was used , sampling technique was Stratified random sampling. Primary data was collected using questionnaire. Descriptive and inferential data analysis methods were used. All respondents filled in and returned the questionnaire, making the response rate 100%.The study conducted a multiple regression analysis to determine the influence of the independent variables on procurement performance sample population , top level manager, technical team (requester), procurement staff and all PATH employees and Sample Size 42 respondents from PATH.

**Findings:** The study found that The two factors that showed significant effect on procurement performance are Information and communication technology with  $p=0.018$  and departmental collaboration with the  $p$ -value of 0.001 ( $p < 0.05$ ). Furthermore, the Pearson Correlation Coefficient computed and tested at 1% significance level indicated that there is a strong positive relationship ( $r=0.716$ ) between departmental collaborative and procurement performance. The relationship was statistically significant at 1% level ( $p=0.000$ ,  $<0.01$ ) Based on the ANOVA, the significance value 0.000 is less than 0.05 thus the model is statistically significant in predicting how the independent variables influence the procurement performance at PATH. The F critical at 5% level of significance was 2.68. The F calculated from the ANOVA table is 5.455, which is greater than the F critical (2.68). This shows that the overall model was significant.From the research findings most of the respondents indicated that the most important factor is departmental collaboration followed by information communication and technology. The other two independent variables, staff qualification and procurement procedures, showed an insignificant relationship with procurement performance at PATH.

**Unique contribution to theory, practice and policy:** The study recommends that there is need of Staff awareness through training should be carried out to achieve superior knowledge in entire procurement process at PATH. NGOs need to embrace ICT in their procurement systems in order to achieve transparency as this reduces physical contact with vendors in solicitation of procurement document

**Keyword:** *Procurement Procedure, Departmental Collaboration And Procurement Performance.*

## 1.0 INTRODUCTION

Procurement performances are set of activities undertaken by an organization to promote effectiveness management of its supply chain Semanik (2012). It is the foundation of private firm's success. Its proper practices lead to competitive purchase and getting quality materials. The main objectives of procurement are related with quality, financial purchase creating integrity in the organization and safeguarding from competition (Walter et al, 2015). Procurement is vital to organizations and its strategies have become part of business success. It boosts efficiency and competitiveness and to realize these, it is vital to give emphasis about the strategic factors that affect the performance of the procurement function.

According to Leenders et al., (2008), around the world, public and private sector organizations are experiencing an unprecedented pace of change and as a result, they are rapidly re-evaluating their operating models and market strategies not just to withstand these market forces but capitalize on them. Clearly, procurement has a significant role to play in helping the public sector achieve their objectives and prepare for the uncertainty ahead. In part, this will require procurement to focus on driving costs out of the cost base. But the opportunity also exists for the function to add value in a much more strategic way. Thai (2001) describes two types of goals in the procurement system: non-procurement goals and procurement goals. Procurement goals are primarily associated with quality, reduction of financial and technical risks, and protection over competition and integrity in the system. Non procurement goals usually involve the economic, social, and political goals within the system.

Procurement planning is the process that captures information on market demand and inventories and combines it with supply capabilities and constraints to develop a plan for future volumes. It considers the complete supply chain, from raw material procurement to the distribution of finished products to customers, and targets increasing customer value and improving supply chain performance and cost efficiency. However, many organizations face numerous challenges in Procurement planning (Kumar, 2014). PATH is an international non-profit organization that creates sustainable, culturally relevant solutions, enabling communities worldwide to break longstanding cycles of poor health. By collaborating with diverse public- and private-sector partners, PATH helps provide appropriate health technologies and vital strategies that change the way people think and act. PATH's work improves global health and well-being. Headquartered in Seattle, Washington, PATH has offices in 41 cities in 21 countries. PATH currently works in more than 70 countries in the areas of health technologies, maternal and child health, reproductive health, vaccines and immunization, and emerging and epidemic diseases. PATH Zambia country program as of 2019 has five projects under its umbrella namely; Program for the Advancement of Malaria Outcome (PAMO), Malaria Control and Evaluation Partnership in Africa (MACEPA), Eradicate Tuberculous (ETB), Better Immunization Data(BID) and Access Collaborative Project (ACP).

There are a number of studies that have been carried out on the topic. Gyamfi (2010) examined the issues and challenges facing financing of local non-governmental organizations in Ghana. The study revealed that local NGOs obtained their funding mostly from INGOs (International Non-Governmental Organizations), governments through their embassies and agencies. The study also revealed that external funding to local NGOs is mostly available for small period of time like one year to 18 months and it has been reducing over the past five

years. This limits the scale of local NGOs interventions. Batti (2012) while analyzing challenges facing NGOs in resource mobilization confirmed that NGOs for a long time and even still rely on the generosity of donors to sustain their initiatives and programmes through aid, grants and donations. The study recognized that the funding sources for NGOs from donors are frequently inadequate to meet the needs and rising costs for project implementation and monitoring Kiragu and Njue (2013).

## **1.2 Statement of the Problem**

Procurement is perceived as prone to delays, wrong supplies, unsuitable venues for conference, late activity implementation (Indoor residual spraying), substandard works/service delivery, occasioning waste and affecting quality of service and life improving opportunities. There is need to reverse this worrying trend and maintain donor confidence. Despite PATH efforts to improve the procurement system such as the introduction of E-procurement, vendor list, procurement matrix, procurement review committee, it is still marred by the above mentioned constrains.

A study to assess factors affecting procurement performance in the textile manufacturing sector in Ethiopia majored on procurement procedure, staff competency, and resource allocation. Staff competency and resource allocation came out as having very much influence on procurement performance (Hamza, Gerbi, & Ali, 2016).

For years, procurement performance has been drawing great responsiveness from experts, academicians, and investigators due to deprived performance. Embracing of e-procurement has promptly increased as from the 1990's however organizations still face trials related with its introduction and use (Kimani, 2013).

Chimwani, Iravo, and Tirimba (2014) strove to establish to which extent staff credentials, procurement techniques, information technology impact procurement performance. The study focused on the Kenyan public division putting focus on the government law agency as a case study. The analysis showed a negative correlation between the five independent variables to the dependent variable with records administration being the utmost significant influence in procurement performance shadowed by procurement techniques, staff credentials, and information technology; in that order.

Studies in the United States have shown that the ability to recognize organizational procurement goals is influenced largely by external and internal factors. These include the relations among different basics such as the levels of staffing, professionalism, procurement regulations, structure of the organization whether decentralized or centralized, guidelines, and internal control policies. These factors have to be considered as their interactions have an influence on the procurement performance of an organization (Kim, Lopetcharat, & Drake, 2013).

Improper implementation of recommended performance standards results in unnecessarily high operation costs, uncoordinated project activities. Therefore, the study seeks to establish the factors affecting procurement performance at PATH.

## **2.0 LITERATURE REVIEW**

### **2.1 Empirical Review**

All public procurement in Zambia is regulated by the Zambia Public Procurement Authority (ZPPA) act no.12 of 2008), ZPPA is an independent body responsible for the regulation of procurement of goods, works and services by all procuring entities in the public sector. It oversees the bidding process and monitors the execution of contracts entered into by procuring entities to ensure transparency, accountability and maximum competition for value for money in the use of scarce public resources. The republican presidents appoint the director general and the board. Procurement performance is not an end in itself but a means to control and monitor the procurement function. For any organisation to change its focus and become more competitive, performance is a key driver to improving quality of services. Batenburg and Versendaal (2006) noted that use of inappropriate means can be a barrier to change and may lead to deterioration of procurement operations. Organisations which do not have performance means in their processes, procedures, and plans experience lower performance and higher customer dissatisfaction and employee turnover. Measuring procurement performance yields benefits to organizations such as cost reduction, enhanced profitability, assured supplies, quality improvements and competitive advantage. Electronic processes have replaced physical and paper-based processes. E-procurement moves tendering, negotiation and purchasing processes to websites. Improvement to a PE's procurement performance can be realized through reduced costs and wider choice availed.

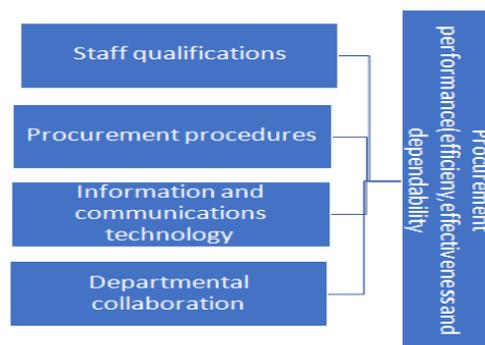
S/N	AUTHOR	ARTICLE	RESULTS	GAP
1	Arrowsmith, S. (2010).	Public procurement: Basic concepts and the coverage of procurement rules, in Public procurement relations.	The study showed the basis concepts of procurement and how procurement affects performance.	How procurement systems operate, especially between public sector PEs and their suppliers.
2	Gul, H. (2010).	Modernizing public procurement and creating an independent public Procurement regulatory authority	The study showed the causes of poor procurement plans	From the PPDR, it is unclear whether procurement procedures favour small suppliers in their relationship with PEs or put them at a disadvantage
3	Nicol, W. (2013).	Mainstreaming the Procurement Function into the Public Expenditure Policy and Effectiveness Dialogue.	The study showed the weakness with most procurement plans	Enhancing the adoption of e-procurement that simplifies the end-to-end SC modules

## 2.2 Theoretical and Conceptual Framework

This part presents the theories that are considered for this study namely the relationship the stakeholder theory and Bloom's Taxonomy of Learning Theory.

- i. The origins of stakeholder theory draw on four key academic fields: sociology, economics, politics and ethics and especially the literature on corporate planning, systems theory, corporate social responsibility and organizational theory. Freeman (1984), over the course of his work entitled *Strategic Management: a Stakeholder approach*, generally accepted as launching the stakeholder theory concepts, defines how stakeholders with similar interests or rights form a group.
- ii. Bloom Taxonomy theory (1956) produced taxonomy of learning theory which is helpful in identifying different cognitive skills. He identified six levels in this scheme; knowledge, comprehension, application, analysis, synthesis and evaluation. Movement from level 1 to level 6 represents an increase in the level of sophistication of cognitive ability. From strategic thinking perspective, higher demands is be made of the skills associated with analysis, synthesis and evaluation.

A conceptual framework is a research tool intended to assist a researcher to develop awareness and understanding.



- i. **Staff Qualification:** Saunders (1997) believed that successful functioning of organizational structures and effective operation of planning control systems is dependent on the quality and ability of staff employed. Strategic plans should include information on the acquisition, development, use and reward of human assets.
- ii. **Procurement procedures:** are operating instructions detailing functional duties or tasks. According to Saunders (1997), the division between public and private sectors creates two different worlds, requiring different approaches to procurement. Public ownership imposes obligations with regard to public accountability, leading to prescribed procedures and policies).
- iii. **Information Communication technology:** Saunders (1997) reckoned that personnel in procurement are, in a sense, information processors. They receive, analyse, make decisions and distribute information in order to manage the flow of goods and services in the SC.
- iv. **Collaborative procurement:** is defined as the centralization of the procurement of goods and services which are repetitive and common to multiple departments in an

organization. The ideal sourcing situation for an organization happens when a cross-functional team collaborates on all aspects of sourcing project

### 3.0 METHODOLOGY

Research Design refers to a blue print of a research study, which tries to provide answers to questions that have been asked and provides guidelines for the procedure of collection, analysis, and interpretation of observations Creswell (2018), as nature required qualitative in-depth understanding interviews. This was a mixed method research design research qualitative description of results and quantitative was used in analysing. Population of study was composed of 88 respondents and data collection was done through survey questionnaires and interviews research instruments that was used to collect data was primary data which consisted of questionnaires, interviews and post audit reports in this research while Secondary data was collected from some particular relevance to the topic at hand. For the purpose of this research study, secondary data was used from extensive literature search such as Textbooks, past qualifying dissertations, Internet and Journals data analysis and interpretation in this study that was used was statistical method. This was due to the fact that the data collected was in quantitative nature. As soon as such, data analysis and interpretation was done manually, using simple tabulations in and percentages mainly represented in tables in excel. Pilot study was conducted for validity and reliability. Purposive sampling was used to determine the sample population while random sampling was used to select respondent.

### 4.0 RESEARCH FINDINGS

**Table 1.** indicates how data was triangulated in such a way that the responses from the respondents were married together through the use of tables, charts and descriptive analysis.

**Table 2. Gender share of respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Female	25	59.5	59.5	59.5
Male	17	40.5	40.5	100
Total	42	100	100	

The table above shows how the gender distributions in terms of frequency and percentage, Females were represented at 59.5% while the male were at 40.5%. Gender representation in this study was quiet fair as there was a balance between both sexes

**Table 3 : Relationship between staff qualification and procurement performance**

		Procurement performance	Staff qualification
Procurement performance	Pearson Correlation	1	0.141
	P-value		0.398
	N	42	42

*Source: Author field data, 2019*

The result indicates (Table 2 above) a weak positive relationship ( $r = 0.141$ ) exist between Staff qualification and procurement performance. However, at 5% level of significant, the 1: “There is no relationship between staff qualification and procurement performance” was not rejected,  $p=0.398$ . Therefore, there is no relationship between staff qualification and procurement performance.

**Table 3: Relationship between Procurement procedures and procurement performance**

		Procurement performance	Procurement Procedure
Procurement performance	Pearson Correlation	1	0.417
	P-value		0.008
	N	42	42

*Source: Author field data, 2019*

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

The results as tabulated in table 3 indicates that there is a positive relationship ( $r=0.417$ ) between procurement procedures and procurement performance. At 1% level, the 2: “There is no relationship between procurement procedures and procurement performance” was rejected,  $p=0$ . ( $p=0.008 < 0.01$ ). Therefore, there is a significant relationship between procurement procedures and procurement performance at PATH.

**Table 4: Relationship between information and communication technology and procurement performance**

		Procurement performance	Information and communication technology
Procurement performance	Pearson Correlation	1	0.098
	P-value		0.587
	N	42	42

*Source: Author field data, Correlation Coefficient*

The results as tabulated in table 4 indicates that there is a positive relationship ( $r=0.098$ ) between information and communication technology and procurement performance. However, the relationship was not statistically significant at 5% level ( $p=0.587 > 0.01$ ). Therefore, the researcher fail to reject the 3: There is no significant relationship between information and communication Technology and procurement performance at PATH.

**Table 5: Relationship between departmental collaborative and procurement performance**

		Procurement performance	departmental collaborative
	Pearson Correlation	1	0.719
Procurement performance	P-value		0.001
	N	42	42

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

### Correlation Coefficient

The results as tabulated in table 5 indicates that there is a strong positive relationship ( $r=0.719$ ) between departmental collaboration and procurement performance and the relationship statistically significant at 1% level ( $p=0.001, <0.01$ ). Therefore, the researcher rejects the fourth hypothesis that states that there is no significant relationship between departmental collaboration and procurement performance at PATH.

**Table 6: Model Summary, R square**

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate
1	0.784 <sup>a</sup>	0.585	0.573	0.538

Source:

Author field data, 2019

The R square was 0.585, and the adjusted R square was 0.573. Since the Adjusted R square was 0.573 there was evidence that the data used in analyzing the relationship between the independent variables and procurement performance was closely related.

**Table 7: ANOVA<sup>a</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	15.243	3	3.561	5.455	.000 <sup>b</sup>
1 Residual	9.632	6	0.272		
Total	25.875	9			

Analysis of Variance (ANOVA) was used to establish whether there was difference between the independent variables and procurement performance. The significance value (p-value) 0.000 in the study is less than 0.05 thus the model is statistically significant in predicting how the independent variables influence the procurement at PATH. The F critical at 5% level of Significance was 2.68. The F calculated from the ANOVA table is 5.455, which is greater than the F critical (2.68). This shows that the overall model was significant.

**Table 8: Regression Analysis of Factors affecting Procurement Performance at PATH - Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
(Constant)	0.169	0.765		0.219	0.818
Staff qualification Information & communication technology	0.285	0.195	0.179	1.347	0.184
Procurement procedure	0.478	0.188	0.359	2.538	0.018
Departmental collaborative	0.067	0.212	0.031	0.280	0.786
	0.654	0.116	0.685	5.969	0.001

The regression model is as follows:

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

Where:

Y is the dependent variable (Procurement performance),

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

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

X1 is the Staff qualification

X2 is the Information and communication technology,

X3 is the Procurement procedure

X4 is the Departmental collaborative while

$\alpha$  is an error term at 95% confidence level. The regression was:  $Y = 0.169 + 0.285X_1 + 0.478X_2 + 0.067X_3 + 0.654X_4$

The above equation established that taking all factors into account (Staff qualification, information and communication technology, procurement procedures and departmental collaborative) constant at zero, procurement performance would be 0.169. The findings further indicate that taking all other independent variables constant, a unit increase in procurement procedures will lead to a 0.478 increase in procurement performance. The p-value was 0.018 which is less than 0.05 and thus the relationship was significant. It was also indicated in the study that a unit increase in departmental collaborative leads to a 0.654 increase in procurement performance. The p-value was 0.001 and thus the relationship was significant. The result from the study indicates that departmental collaborative contributed most to the procurement performance.

The study conducted a multiple regression analysis so as to determine the influence of the independent variables on procurement performance. The two factors that showed significant effect on procurement performance are Information and communication technology with  $p=0.018$  and departmental collaboration with the p-value of 0.001 ( $p < 0.05$ ). Furthermore, the Pearson Correlation Coefficient computed and tested at 1% significance level indicated that there is a strong positive relationship ( $r=0.716$ ) between departmental collaborative and procurement performance. The relationship was statistically significant at 1% level ( $p=0.000, < 0.01$ ).

#### 4.2 Annual procurement plan

The study shows that the majority of the respondent said yes representing a 70% said to have annual procurement plan while 30% said they don't have procurement plan.

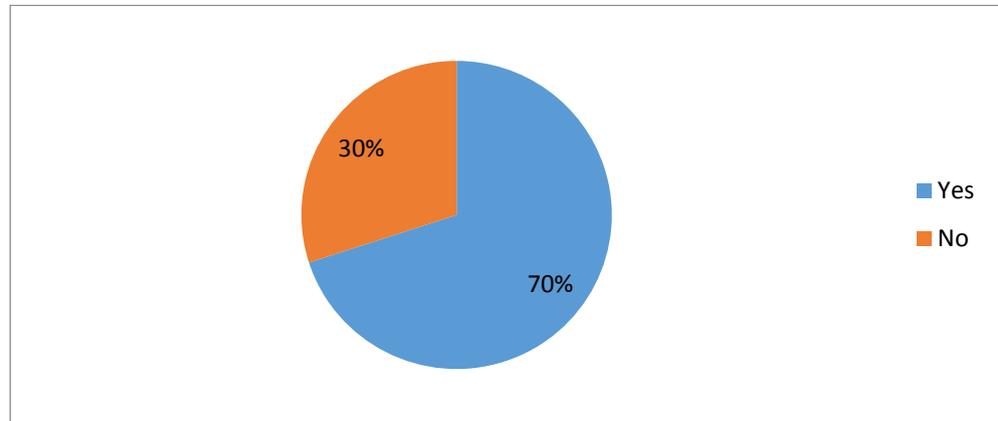


Figure 1: Annual procurement Plan percentage

#### 4.3 Staff Qualification

According to the study on the factors affecting procurement performance at PATH. The result reviews that the majority of the respondent said yes to staff qualification affecting procurement performance at PATH representing 85% while 15% of the respondent said No to staff qualification affecting procurement performance.

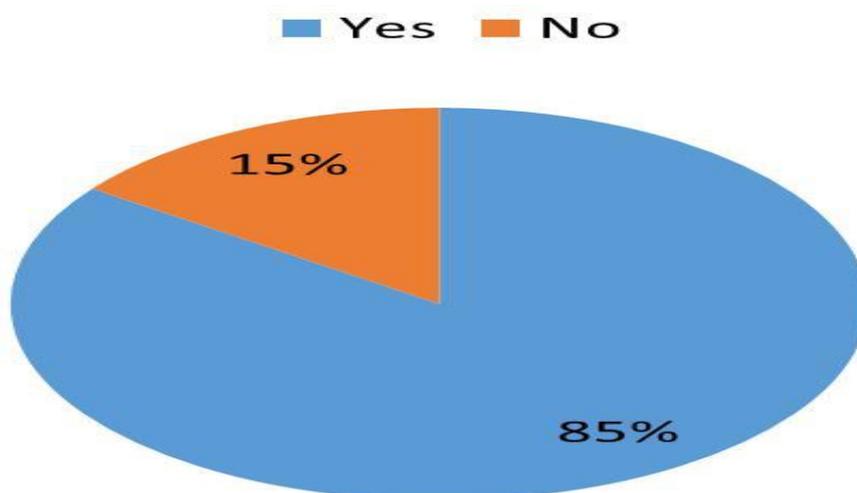
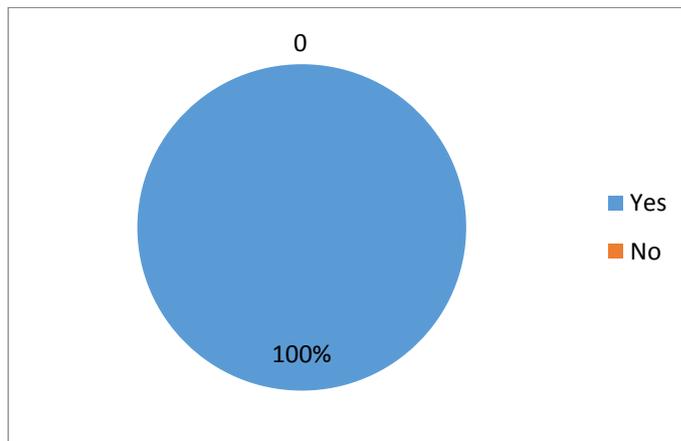


Figure 2: Staff qualification percentage

#### 4.4 Information and Communication technology

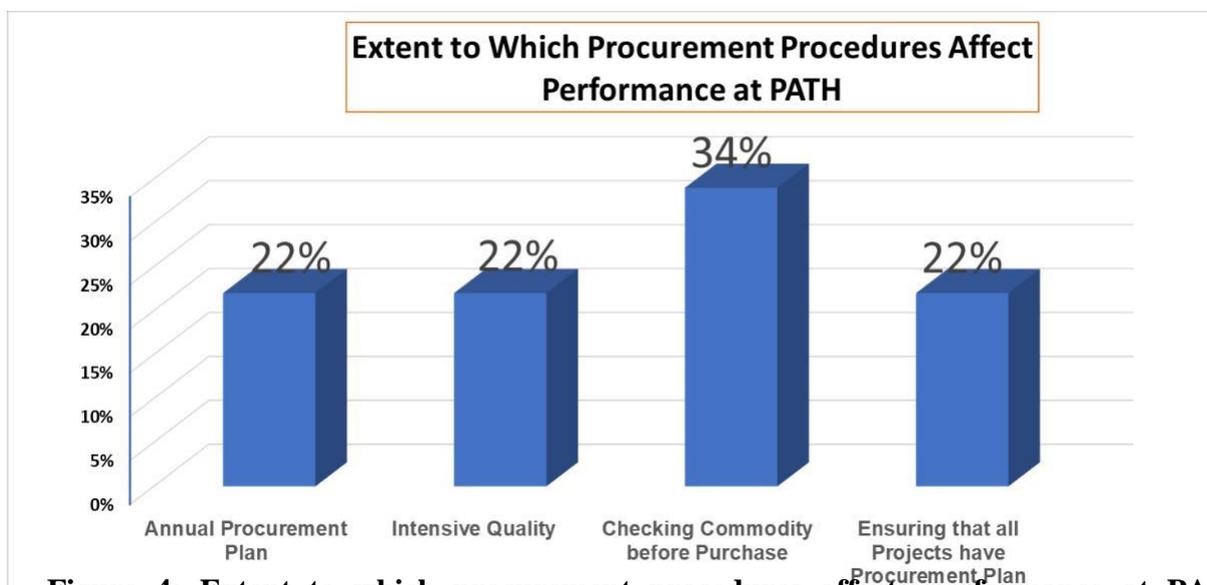
According to the study on the factors affecting procurement performance at PATH. The result reviews that the majority of all the respondents (n=42) are ready to embrace information and communication technology at PATH representing a 100%.



**Figure 3: Information and communication technology percentage**

#### 4.5 Extent to Which Procurement Procedures Affect Performance at PATH

Statement related to extent to which procurement procedures affect procurement performance at PATH. It is observed from figure 5 above, majority of the respondents agreed that procurement procedure did not help to estimate the time required to complete the procurement process; 34% (n=14) of respondents indicated that checking commodity before purchase, other factors with 22% (n=12) are Annual procurement, intensive and ensuring that all projects should have procurement plan.

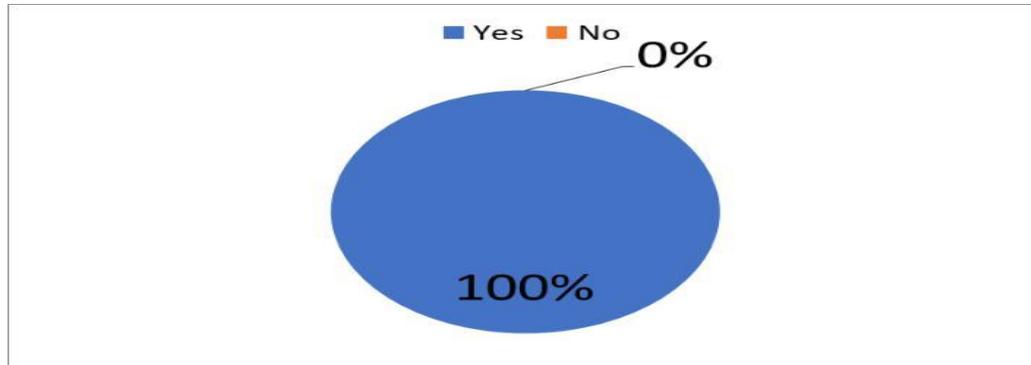


**Figure 4: Extent to which procurement procedures affects performance at PATH percentage**

#### 4.6 Do other departments collaborate with the procurement department in preparing procurement at PATH.

The study shows that 100% of the respondents agreed that procurement department collaborates with other department when preparing procurements, while none of the

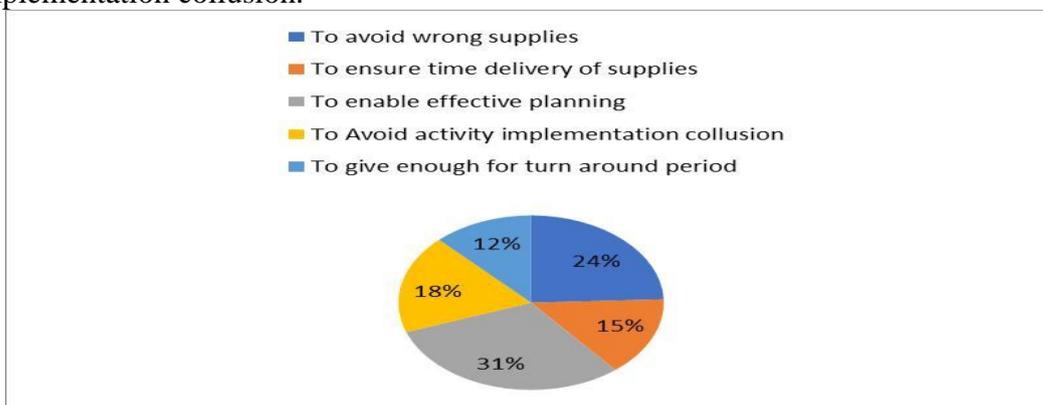
respondent disagreed that procurement department doesn't collaborate with other department when preparing procurement process.



**Figure 5: Departments collaborate with the procurement department in preparing procurement at PATH percentage.**

#### **4.7 Importance of requesters to collaborate with procurement department in preparing procurement at PATH**

The study shows that 31% of the respondents agreed that enabling requesters to collaborate with procurement department in preparing procurement at PATH will enable effective planning, 24% of the respondent said that requesters have to collaborate with procurement department in order to avoid wrong supplies and 15% of the respondent said that requesters have to ensure time delivery of supplies, 12% of the respondents said that requester have to collaborate with other departments to give enough turn around period ,18% of the respondents said that requesters have to collaborate with other department to avoid activity implementation collusion.



**Figure 6: Importance of requesters to collaborate with procurement department in preparing procurement at PATH percentage.**

#### **Discussion of the findings of the Research**

This research has investigated factors that determine procurement performance in NGOs, PATH as case in point. The section is an elucidation and discussion of findings of this study. The discussion has been cognizance to the existing information in the body of knowledge. Moreover, the discussion has been done in the coherent flow and respect to the research objectives.

#### **Procurement Procedures and Procurement Performance at PATH**

The result shows that procurement function has a major role to play in the operations at PATH. The process must be well known through the actions plan which is not static. The available evidence reveals that there is a significant positive relationship ( $r=0.417$ ;  $p<0.01$ ) between procurement procedures and procurement performance. This evidence is in tandem with the Jones and George (2009) who postulated that bureaucratic control mechanism is control by a comprehensive system of formal rules and standard operating procedures (SOPs) that shapes and regulates the behaviour of divisions, functions and individuals. In turn the effect of these SOPs and rules necessitates employees to perform activities efficiently and effectively.

Furthermore, Moncska, Handfield, Guinipero and Patterson (2010) held that the procurement function has a significant impact on corporate performance. This because these procedures provide guidance that staffs follow in performing activities, put constraints on behaviour and shows how the procurement function should work to achieve strategic objectives. At PATH, the procurement procedures, as established herein, are clearly explained and understood by all the departments and this has been tied to procurement performance which is the outcome variable.

#### **Staff Qualification and Procurement Performance**

On staff qualification, it has been shown in this research that 85% of respondents said staff qualification affects procurement performance. However, a statistical test, both the bivariate analysis and empirical regression model shows an insignificant association between staff qualification and procurement performance ( $r=0.141$ ,  $p>0.01$ ).

#### **Relationship between information and communication technology and procurement performance.**

This research has revealed that positive relationship ( $r=0.098$ ) between information and communication technology and procurement performance. However, the relationship was not statistically significant at 5% level ( $p=0.587$ ,  $>0.01$ ). This means that with the available evidence, is not sufficient to conclude that information and communication technology at PATH has had a significant effect on procurement performance. This finding is not consistent with what has been revealed in the body of knowledge. As elucidated by Sriram and Stump (2004) that ICT contributes to improved communications patterns, increased demand for coordination of joint activities and new organizational structures.

### **5.0 SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1 Summary of the Research Findings**

Procurement function has a major role to play in the operations at PATH. The process must be well known through the actions plan which is not static. The main purpose of this study was to assess the factors affecting procurement performance at PATH.

The four independent variables only constituted to about 85.6% to procurement performance at PATH, while other factors not studied in this research contribute to 14.4% of procurement performance at PATH. From the research findings most of the respondent indicated that the most important factor is departmental collaboration followed by information communication and technology. The other two independent variables, staff qualification and procurement procedures, showed an insignificant relationship with procurement performance at PATH.

Departmental collaboration factor was measured in terms of interrelationship with other departments to fit changes in the economic environment, tender award and tender float based on the prompt payment of goods and services to the vendor to enhance a good working relationship with others. The study indicated that a unit increase in the departmental collaboration would lead to 0.634 changes in procurement performance. For information Technology, the study found that a unit increase in Information Communication and Technology would lead to 0.478 increases of procurement performance.

## 5.2 Conclusions

The main objective of the study was to establish the factors affecting procurement performance at PATH. With the available evidence it has been concluded that departmental collaboration and Information Communication and Technology positively affects procurement performance at PATH. The purpose of departmental collaboration is to utilize the available resources to achieve the overall objective. This was because good departmental collaboration results to effectiveness and efficiency in attaining projected results. In the light of ICT, it has been concluded that it facilitates the implementation of procurement platforms such as business world and e-procurement at PATH.

## 5.3 Recommendations

Based on the findings of this research, the following are the recommendations;

Staff awareness through training should be carried out to achieve superior knowledge in entire procurement process at PATH. The procurement department is advised to carry out periodic market surveys so that the information can be shared with pertinent departments in order to help them prepare procurement plan based on the existing market conditions. NGOs need to embrace ICT in their procurement systems in order to achieve transparency as this reduces physical contact with vendors in solicitation of procurement document

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