

# Contractual Governance Mechanisms and Supplier Delivery Performance: Testing mediating effects of Buyer-Supplier Trust and Supplier Opportunism

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## Abstract

The purpose of this research is to examine how governance mechanisms impact on supplier delivery performance intermediated by buyer-supplier trust and supplier opportunism. The study focuses on Uganda's public sector as a case of a less developed country. The research was prompted by frequent reports which indicate that outsourcing contracts fail to deliver on schedule, budget, specifications, and quality and do not deliver expected value to the public. This could be attributed to poor governance mechanisms, lack of buyer-supplier trust and high levels of supplier opportunism. While it has been assumed that governance mechanisms result in better supplier delivery performance, empirical research to corroborate these claims in less developed countries context is very sparse. A theoretical model and hypotheses are developed from literature review. A cross sectional data set collected from 632 Uganda's public sector staff is used to validate the model. Hierarchical regression results reveal that governance mechanisms are significant predictors of supplier delivery performance. The results also suggest that the impact of governance mechanisms on supplier delivery performance is intermediated by buyer-supplier trust and supplier opportunism. Managers of public sector need to design well outsourced contracts and create mutual trust with their suppliers to improve supplier delivery performance. Similarly, there is a need to deliberately mitigate supplier opportunism that appears to significantly diminish supplier delivery performance.

**Keywords** Outsourcing contracts, governance mechanisms, buyer-supplier trust, supplier opportunism, public sector, supplier delivery performance

**Paper type** Research paper

## 1. INTRODUCTION

Public sector procurement often makes up 10-20% of the Gross Domestic Product (GDP) of developed countries (OECD, 2013) and accounts for up to 30-36% of most developing nation's GDP in Sub Saharan Africa (Commonwealth secretariat, 2013). For instance, Uganda's 2012/13 budget indicates that on average 65% of the central government's recurrent non-wage is expended on public procurement related items. Given this scale of government spending, public procurement is potentially a useful policy tool for growth and the socio-economic transformation of any country (WTO, 2013).

Public Procurement and Disposal of Assets (PPDA) Act (2003), the law that regulates procurement in Uganda describes public procurement as the acquisition of goods, services, and works by government using public funds. Uganda's public sector entities such as ministries, districts, state commissions, and parastatals have massively adopted outsourcing to reduce costs, increase flexibility, access better expertise, improve quality of services, reduce capital investment and improve internal user satisfaction (Public Procurement and Disposal of Assets (PPDA) Authority, 2011). These entities outsource non-core functions like fleet management, information technology, consultancy, cleaning services, security, waste management, couriers' services, catering services, training, renovations etc. to improve supplier delivery performance. However, supplier delivery performance has not improved in Uganda's public sector to date (PPDA Authority, 2011; National Integrity Survey-NIS, 2008; Office of the Inspectorate of Government-IGG, 2010).

Evidence suggests that Uganda's public entities are suffering from long lead times (NIS, 2008), poor quality of services delivered (PPDA Authority, 2008; 2009), and high levels of contract violations and cheating (IGG, 2009; 2010). Simply, outsourced services are not delivered on time, specifications are not being met as required (Commonwealth Heads of Government Meeting-CHOGM) report, 2010), and internal users complain of late deliveries (Parliamentary Public Accounts Committee (PAC), 2010).

The accounting officers, contract committees and procurement officers often sign contracts on behalf of government with suppliers which are drafted by government legal departments to safeguard the outsourcing processes. Despite the existence of governance mechanisms, most suppliers have persistently failed to fulfill contract terms that they signed (PPDA Authority, 2012).

PPDA Authority (2012), the body that regulates procurement in Uganda reported that more than \$200 million is lost every year due to suppliers' failure to deliver as per terms of the signed outsourcing contracts. These figures are only based on procurement related cases that have been reported to police as well as the

estimated amounts that have been unearthed during the recent public procurement audits. Despite all these alarming evidences little has been done to address such problems in any meaningful way.

Firms often use governance mechanisms to structure their relationships in order to mitigate risks arising from contractual relationships (Williamson, 1979). However, the specification, drafting and implementation of governance mechanisms in Uganda are difficult due to the widespread supplier opportunism which has adversely affected contract negotiation, signing and contract management (Ntayi, Namugenyi and Eyaa, 2010a). The PPDA Annual Audit Reports from Uganda reveal that since the introduction of the Public Procurement and Disposal of Assets (PPDA) Act in 2003, public sector still lacks proper governance mechanisms to reduce supplier opportunism and the related transaction costs (PPDA Authority, 2011; 2012). This practice greatly undermines the preparation of contract implementation plans for monitoring purposes (Ntayi, et al., 2010a).

PPDA Authority (2012) audit report further identified lack of contract monitoring plans as a major cause of failure for contractual partners to detect and rectify deviations from the initial specifications on time. Additionally, Uganda's public sector lacks complete information about the progress of the procurement process, status of implementation of the procurement contracts, the number of procurement contracts awarded to service providers and the performance levels of service providers who have been awarded contracts in the past (Ntayi, et al., 2010a). The PPDA Authority (2012) Audit Report also confirmed that most of the contracts under implementation in the public sector are not on file. This hinders development of best practices in contract design, complicates the implementation, monitoring and assessment of contracts and promotes supplier opportunism and loss of money (Ntayi, et al., 2010a).

Most of Uganda's public sector suppliers tend to think less about client satisfaction and more about how to win the next contracts, make more money and survive in the market using kickbacks (Ntayi, et al., 2010b). This state of affairs could possibly be responsible for buyer-supplier mistrust, making clients view outsourcing contracts as unpredictable in terms of utility, quality, cost effectiveness and timely delivery (Ntayi, 2010b). Thus, to reduce performance ambiguity and ensure supplier delivery performance, there is a clear need for adequate quantitative information on contract governance in Uganda. What exists currently is fragmentary and disconnected, which needs to be corroborated with a scientific study.

Some previous research has examined the performance of suppliers for outsourcing contracts (Anderson, 1988; Wathne and Heide, 2000; Gottschalk and Solli-Saether, 2005; Goo et al., 2009; Stefanie et al., 2010). A common finding appears to suggest that failure to perform may be a consequence of opportunistic tendencies which characterise business contracts in social exchanges and principle agent relationships. Poppo and Zenger (2002) indicate that every contract has the purpose of facilitating exchange and preventing opportunistic behaviour. Supplier opportunism is "self-interest seeking with guile" (Williamson, 1979). Ntayi et al. (2010b) describe guile as "lying, stealing, cheating and calculated efforts to mislead, distort, disguise, obfuscate or otherwise confuse."

According to Wathne and Heide (2000), elusive behaviors such as dishonoring contracts, careless work, shirking and failure to fulfill promises are common characteristics of supplier opportunism. Thus, the lack of well specified contracts coupled with unreliable contract design procedures, inadequate contractual enforcement and monitoring mechanisms could possibly explain the current increased supplier opportunism, lack of buyer-supplier trust and poor supplier delivery performance (Poppo and Zenger, 2002).

Some scholars have conducted research on public procurement in Uganda, for instance, Ntayi et al. (2010c) examined procurement officers' deviant behaviour focusing on moral disengagement, work anomie, perceived normative conflict, and procurement planning behaviour as predictor variables. Ntayi et al. (2010b) explicated how perceived project value, opportunistic behaviour, and inter-organizational cooperation affect contractor performance. Basheka (2009) elucidated public procurement corruption and its implications on service delivery. NIS (2006 and 2008) research sought to identify the most corrupt entities in both central and local government domains. Ahimbisibwe and Muhwezi (2012) studied the effects of vertical collaborations and buyer-supplier compliance on contract performance in Uganda's Public Procuring and Disposing Entities (PDEs). Ntayi et al. (2010d) investigated the association of social cohesion, groupthink and ethical behaviour of public procurement officers. However, none of these studies examine the impact of governance mechanisms on supplier delivery performance intermediated by trust and supplier opportunism for outsourcing which has recently gained a lot of momentum in Uganda. This study aims at filling this gap.

While research concerning outsourcing by organizations located in what may be referred to as more developed economies apparently continues to grow and mature, most of the existing literature involving less developed countries and outsourcing is relatively young, speculative and anecdotal, and still lacks sound theoretical explanations. The paucity of empirical research coupled with the absence of comparative studies make understanding the basis for the aforementioned problems difficult in less developed countries. Consequently outsourcing in less developed countries like Uganda is clearly understudied and not well understood.

The purpose of this study is to investigate how governance mechanisms impact supplier delivery

performance intermediated by buyer-supplier trust and supplier opportunism in Uganda's public procurement and to draw implications for least developed countries. In doing so, this research makes a contribution to an area of study clearly in need of additional research. The rest of this article is organised as follows: The next section reviews literature, develops hypotheses and proposes the theoretical model. The subsequent two sections present methodology and data analysis results. Finally, the article concludes by discussing the findings, implications, limitations and directions for future research.

## 2. LITERATURE REVIEW

### 2.2.1. Governance mechanisms and buyer-supplier trust

According to Goo et al., (2009), contracts provide the framework for the economic exchange, outlining the nature and terms of the relationship, what is to be provided and the rights and obligations of parties. Goo et al. (2009) further indicate that outsourced contracts mainly involve Service Level Agreements (SLA). Service Level Agreements are essentially formal written agreements developed jointly between service recipient and service provider that specifies a product or service to be provided at a certain level so as to meet business objectives (Goo et al., 2009, p.122). SLA is intended to specify responsibilities, strengthen communication, reduce conflict, mitigate supplier opportunism and build trust in an exchange relationship over time (Brown et al., 2003). According to Goo et al. (2009), a SLA usually reflects three elements as foundation, change management and governance.

The foundation characteristics in SLAs collectively explain the common beliefs between organizations, which intend to build a spirit of agreement among those entities involved with its development. Elements under foundation characteristics include service level objectives, process ownership plan, pricing schedules and service level contents. The change characteristics address the issues of how various situations that may occur during the course of the contract would be handled like price inflation clauses in the industrial purchasing contracts and express warranties that address product failure. Governance characteristics provide administrative procedures for implementing the party's roles and obligations in a contract. They explain ways of how to manage the relationship through a clear statement of the measurements, conflict arbitration, penalty, rewards and an agreed upon means to facilitate communication.

Buyer-supplier trust is the firm's belief that another party will perform actions that will result in positive outcomes for the firm as well as not take unexpected actions that will result in negative outcomes (Stefanie et al., 2010). Trust is therefore reflected by confidence, predictability, credibility, ability, competence, expertness, consistence and friendliness (Morgan & Hunt, 1994).

Well-specified formal contracts can help to build buyer-supplier trust by enabling open communication, joint problem solving and mutual support between parties (Goo et al., 2009; Ntayi, 2010a). Clearly articulated contractual terms as well as relational norms of flexibility, solidarity, bilateralism and continuance may inspire confidence to cooperate in inter-organizational trust (Poppo & Zenger, 2002). Well-crafted contracts promote longevity in exchanges by increasing the penalties that accompany severing an exchange relationship. Contracts also provide customized approaches and mutually agreed upon policies and procedures for dealing with necessary adaptations in an exchange.

However, the relationship between formal governance mechanisms and buyer-supplier may also function in reverse (Poppo & Zenger, 2002). The continuity and cooperation encouraged by relational governance in form of buyer-supplier trust may generate contractual refinements that further support greater cooperation while buyer-supplier trust may also intensify the probability that trust and cooperation will safeguard against hazards poorly protected by the contract. Therefore, it can be hypothesized that: *H1: There is a significant positive relationship between well designed governance mechanisms and buyer-supplier trust.*

### 2.2.2. Buyer-Supplier Trust and Supplier delivery Performance

According to Ntayi et al. (2010a), supplier delivery performance involves on-time and budget/cost delivery, delivery reliability, order completeness, delivery speed, quality of goods provided by the supplier, frequency of delivery, number of faulty deliveries, and conditions under which supplies are received. While some research tends to focus only on governance efficiency in examining buyer-supplier exchange performance, to fully understand the overall satisfaction for the exchange performance there is a need to include effectiveness too. Simply, supplier delivery performance should be assessed based on the level of overall buyer's satisfaction with the buyer-supplier exchange. For instance, this line of thinking seems to resonate well with Poppo and Zenger's (2002) conceptualization that focused on the overall cost of the service, the quality of the services and the vendors' responsiveness to problems or inquiries (p.715).

Buyer-supplier trust has multiple impacts on supplier performance transactions between organizations (Koh et al., 2009). It reduces transaction costs (Chiles and McMackin, 1996), improves governance choices and exchange performance (Gulati & Nickerson, 2008). Buyer-supplier trust creates cooperation and commitment, enables firms to accumulate strategic resources that are rare, valuable, and rare to mimic with no readily substitutes (Hoyt and Huq, 2000). It also enhances information sharing (Dyer and Chu, 2003), and reduces

negotiations and conflicts (Zaheer et al., 1998a; Johnston et al., 2004) between organizations. All these aforementioned outcomes directly translate to better supplier delivery performance. Accordingly, it can be hypothesized that: *H2: There is a positive relationship between buyer-supplier trust and supplier delivery performance at the organizational level.*

#### *2.2.3. Contractual governance mechanisms and supplier opportunism*

Supplier opportunism is seeking gain for oneself at the expense of others and such behaviour is usually associated with breaches of contract (Stefanie et al., 2010). Supplier opportunism takes various forms, depending on the mechanism used for the governance of contractual business activities. Wathne and Heide (2000) offered a framework of four forms of supplier opportunism, namely; evasion, refusal to adapt, violation of contract, and forced renegotiation. Their study generally revealed that suppliers tended to hold more key information with respect to their own products, including the products' function, quality, and cost.

When buyers do not completely understand the particular attributes of a given product or service, sometimes suppliers will adopt opportunistic behaviours in order to pursue their own latent interests. Anderson (1988) found that transaction costs arise from incomplete contracting and are determinants of supplier opportunism. It may seem natural that humans act to further their own self-interests (Ang and Straub, (1998). Supplier opportunism arises because buyers have imperfect control over their suppliers, suppliers have personal interests and buyer-supplier contracts are vague and incomplete. Supplier opportunism increases with unpredictability of the environment which can be minimised through formal contracts.

Williamson (1979) indicates that firms are capable of depressing opportunism by using the legitimate authority through contracting to monitor and conduct audits of supplier activities. When the performance criteria are lacking or ambiguous or its assessment is problematic then opportunism is difficult to control. Opportunism increases as performance becomes more difficult to evaluate by indicators of both short and long term (Artz and Brush, 2000). Based upon the aforementioned discussion, it can be hypothesized that: *H3: There is a significant negative relationship between well designed governance mechanisms and supplier opportunism.*

#### *2.2.4. Supplier opportunism and supplier delivery performance*

Supplier opportunism is generally characterized by calculated efforts to mislead, disagree, confuse, withhold or distort information, avoid or fail to fulfil promises or obligations, and appropriate a firm's technology when possible. As a result, such behaviour have negative implications for supplier performance (Wathne and Heide, 2000). Poor supplier performance is exemplified by late delivery, delivery unreliability, order incompleteness, poor delivery speed, poor quality of goods or services provided, infrequency of delivery, faulty deliveries, high prices, failure to match specifications, and unfair conditions under which goods and or services are delivered (Ntayi et al., 2010c), and is seen as a major source of increased costs.

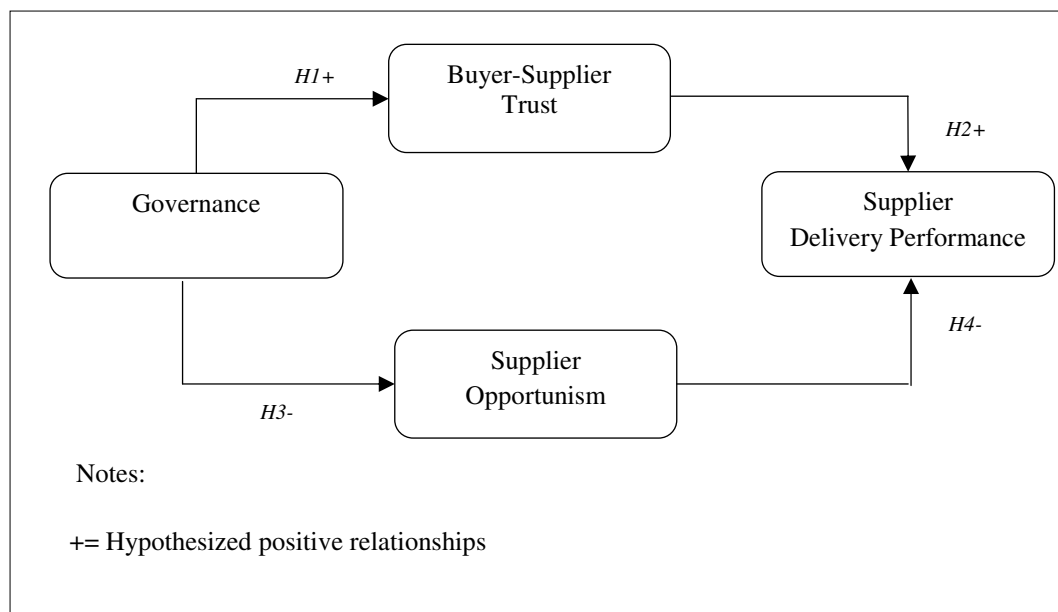
Individuals within organizations who perceive the threat of supplier opportunism are faced with a greater need for screening, negotiating, and monitoring partners' behavior, which results in increased transaction costs. In addition, supplier opportunism can also negatively affect an organizations performance resulting from a supplier's lack of commitment to, or execution of, a given contract's terms, and consequently, the value contributed by the supplier to the buyer's respective organization or group (Ntayi et al., 2010b). Perceived potential for supplier opportunism poses the most critical threat to satisfactory cooperation (Ang and Straub, 1998), and at the same time is instrumental in causing contracts dissolution (Anderson, 1988). Consistent with the above discussion it can be hypothesized that: *H4: There is a negative relationship between supplier opportunism and supplier delivery performance.*

Connecting H1 and H2 in the theoretical model, there shows a need to investigate the mediating role of the buyer-supplier trust existing between governance mechanism and supplier delivery performance, whereas, connecting H3 and H4, there shows a need to investigate the mediating role of the supplier opportunism that may exist between governance mechanism and supplier delivery performance. However, whether these mediating roles are full or partial deserves further attention. In the present study, one of the objectives is to explore the mediating role of buyer-supplier trust and supplier opportunism between the governance mechanism and supplier delivery performance. It can therefore be predicted that supplier delivery performance is largely influenced by buyer-supplier-trust and supplier opportunism, and these are influenced by governance mechanisms. Therefore, it can be proposed that:

*H5: Buyer-supplier-trust significantly mediates the relationship between governance mechanisms and supplier delivery performance.*

*H6: Supplier opportunism significantly mediates the relationship between governance mechanisms and supplier delivery performance.*

Figure 1 demonstrates the hypothesized relationships between governance mechanisms, buyer-supplier trust, supplier opportunism and supplier delivery performance.



**Figure 1: Theoretical model**

### 2.3. Explanation of the theoretical model

The theoretical model in Figure 1 shows the relationship between governance mechanisms, buyer-supplier trust, supplier opportunism, and supplier delivery performance. The design of the contractual terms of outsourced contracts and the means by which they are managed may influence the behaviours adopted by the parties involved in the form of trust or opportunistic behaviours between the suppliers and the public sector entities (buyer) which affects the supplier's ultimate delivery performance. Accordingly, it can be expected that the influence of governance mechanisms on supplier delivery performance takes such a route: governance mechanisms influence buyer-supplier trust and supplier opportunism, and in turn, determine supplier delivery performance in the management of a particular outsourcing contract.

## 3. METHODOLOGY

### 3.1. Research Design

This research adopted a quantitative and cross sectional research design and used a self-administered survey to identify and draw inferences concerning the relationships between governance mechanisms, buyer-supplier trust, supplier opportunism and supplier delivery performance. Zero-order correlation and hierarchical regression analyses were conducted to investigate the relationships between the variables and the extent to which independent variables explained supplier delivery performance within Uganda's public sector procurement.

### 3.2. Survey design and Measurements

The self-administered survey was initially designed based on findings from a comprehensive literature review involving governance mechanisms, buyer-supplier trust, supplier opportunism, and supplier delivery performance (Table I).

Each construct as outlined in the conceptual model proposed by this study was measured by at least five questions or items that were created on the basis of established outsourcing theories. Survey questions were designed to capture perceptions that individuals from the Accounting Office (AO), Contract Committees and Procurement Office had about outsourcing contracts for which they are expected to manage on an on-going basis. Perceptual measures are frequently used in management research since they can parallel objective data in accuracy and research has supported the use of department managers as the key respondents for questions regarding performance within their respective departments and or organization (Kearns & Sabherwal, 2007). All the responses in the questionnaire were anchored on a 5-point Likert scale of strongly disagree (1), disagree (2), not sure (3), agree (4), and strongly agree (5).

**Table I**  
**Measures, sources and reliability**

Measures	Source	Cronbach alpha
<b>1. Governance mechanisms</b>	Goo et al. (2009) Stefanie et al. (2010)	0.91
<i>Service level objectives</i>		
We include a statement of our management and organizational structure at the end of outsourced contract once the relationship is fully operational.		
We include statement of innovation expectations and capabilities of the service provider.		
We include a statement of our business objectives from the service.		
<i>Process ownership plan</i>		
Our outsourced contract contains statement of process ownership roles and responsibilities		
Our outsourced contract contains list of processes that are required to manage the agreements between us and service providers.		
Our outsourced contract contains list of processes directly affected by the services included in the agreements.		
<i>Service level contents</i>		
Our outsourced contract contains a statement of the key business measurements required.		
Outsourced contract contains established service quality targets		
Outsourced contract contains general description of the services required, major categories of the services, specific service elements.		
<i>Measurement charter</i>		
Our outsourced contract contains a statement of measurement methodology.		
Our outsourced contract contains definition of what is to be measured e.g. price, customer satisfaction.		
Outsourced contract contains definition of the processes to periodically measure the defined categories.		
<i>Conflict arbitration charter</i>		
Our outsourced contract contains a statement of the parameters for involving the third party in discussions between us and service providers.		
Outsourced contract contain a schedule for regular interaction and timetables for resolving issues between us and the providers.		
Outsourced contract contains a statement of the practices and conduct rules required to preserve the independence of the independent.		
<i>Enforcement plan</i>		
Our outsourced contract contains penalty definitions and formula		
Our outsourced contract contains conditions under which termination may occur.		
outsourced contract contains statement of exit responsibilities		
<b>2. Buyer-supplier trust</b>	Morgan and Hunt (1994) Stefanie et al. (2010)	0.89
Promises made by this supplier are reliable.		
This supplier is knowledgeable regarding his/her products.		
This supplier is open in dealing with us.		
If problems such as shipment delays arise, the supplier is honest about the problems.		
This supplier has no problems answering our questions.		
This supplier has made sacrifices for us in the past.		
This supplier cares for us.		
In times of shortages, this supplier has gone out on a extremity for us.		
This supplier is like a friend.		
We feel the supplier has been on our side.		
<b>3. Supplier opportunism</b>	Wathne and Heide (2000) Ntayi et al. (2010b)	0.86
The supplier changes prices without our knowledge		
Our supplier does not give us truthful information		
Our supplier gives us wrong information about goods and services.		
The supplier does anything within his means to further his own interests.		

Promises made by our supplier are not all fulfilled.  
Our supplier does not inform us when they are going to replace their suppliers.  
Our supplier evades the performance of some duties.  
Our supplier refuses to adopt our contract terms and conditions  
On occasion, the supplier has lied about certain things in order to protect his interest.  
Sometimes the supplier slightly alters facts in order to get what he /she wants.  
Sometimes the supplier presents facts in such way that he looks good.  
Our supplier drags us into forced negotiations.

#### 4. Public sector supplier performance

Ntayi et al.  
(2010a)

0.89

Supplier delivery is reliable  
Supplier delivers complete orders as required  
Supplier delivery speed is good  
Supplier delivers as per the specifications.  
We do not doubt the quality of outsourced services  
The outsourced services are free from defects  
Supplier has been consistent  
Supplier delivers as many times as required  
Supplier makes fine deliveries without faults  
Supplier charges fair prices compared to others  
Supplier is flexible  
User complaints have reduced since we started using this supplier  
Our outsourced providers are cooperative in problem solving

### 3.3. Sampling and validation of research instruments

Simple random sampling method was used to select entities for the pilot study where all the 141 central government entities were written down on small pieces of paper and mixed in a box; then 48 of them were randomly picked in accordance with Krejcie and Morgan (1970). This method of sampling gave an equal chance to each public sector entity in the sampling frame that was chosen for pilot testing.

The initial draft of the survey was then pilot tested using management professors from Makerere University Kampala, a major research university in Uganda, as respondents. Next, the pilot survey was tested using individuals from the selected 48 public sector entities as respondents and yielded 95% response rate. Based on these pilot tests and comments from respondents concerning the clarity of the questions contained within the survey, measurement items were improved as required and any changes were consistent with the guidelines set forth by Dillman (1991); questions were brief and to the point, addressing only a single issue at a time.

### 3.4. Data collection

Data were collected from all central government entities for outsourcing contracts in Uganda. Prior to data collection, public entities were contacted individually and asked to confirm if they had been involved in managing any outsourcing contracts, most entities confirmed that they had been involved in outsourcing contracts and they confirmed that they could provide some relevant data in this regard. For each entity, the chairman Contracts Committee (CC), head of Procurement and Disposal Unit (PDU) and at least 3 users were considered for participation in this study. These individuals were considered to be more knowledgeable about the subject matter of this study because of their participation in drafting, monitoring, terminating, etc., of outsourcing contracts. Of the 715 copies of the questionnaires that were initially sent out, 632 usable questionnaires representing 88.3% response rate were returned and analyzed using SPSS version 19.0.

The high response rate was probably attributed to the researcher's professional networks, teaching public procurement in a postgraduate school of a major public university and involvement in consultancy in a public procurement in Uganda, SADC, COMESA and with the World Bank. All the data was collected from all central government entities which have offices in Kampala (capital city). All the questionnaires were hand delivered and picked back from the respective offices of the respondents involved in the study. This is slightly different from the developed world where most surveys are web-based because the research setting and context differ. There are still challenges with connectivity and low usage of internet in Uganda and web based surveys are not usually successful and give poor response rates.

### 3.5. Sample characteristics

The results indicate that the majority of the respondents were males (58.5%) while the females comprised 41.5% of the sample. Majority of both males (37.4%) and females (35.4%) ranged between 41 to 50 years of age, the least proportion of the respondents represented for both males (8.2%) and females (4.4%) were 61 years and

above. The majority of the respondents were team members (49.0%) while the heads of sections and the team leaders comprised of 24.8% and 26.1% respectively. 0.3% of the respondents had studied up to primary level, 2.3% completed secondary schools while 97.4% had university level qualifications. Overall respondents from the parastatals dominated the sample (55.6%) followed by those from the ministries (25.5%), the commissions (17.0%) and the hospitals 2.0%. It was further observed that 85% of the entities surveyed had more than 1,000 employees with parastatals (60.0%) and Ministries (24.0) dominating this workforce category. The descriptive statistics further revealed that the services that had been frequently outsourced included cleaning services (85.3%), consultancy (74.2%), security (70.9%), maintenance (70.3%), courier and messenger (44.8%) and fleet management (34.3%). Thus, all categories were well represented and hence the findings of this study can be used to draw conclusions that can be generalized.

### 3.6. Data management and screening

Data were checked for errors, outliers, missing values and any possible inconsistencies in responses given by the respondents, and cleaned prior to data analysis. Simple frequencies were run to identify missing values. The identified missing values were a result of omissions made by respondents, which constituted less than 1% of the data hence deemed trivial and inconsequential to suppress the standard deviations (Field, 2006). Missing data were completely at random (MCAR) since the missing values were a result of omissions not related to other values. Mean imputation replacement method was used to treat the missing data.

Data screening assessed whether the assumptions of parametric data were acceptable. Specific assumptions tested and found acceptable included normality of the distribution of the data, homocedacity and linearity of the data independence of errors. For multicollinearity, the Variance Inflation Factors (VIF) were all less than 4 and tolerance ratios were above 0.1, indicating that multicollinearity in this study was not a problem (Field, 2006). As such, the interpretations of the *beta* coefficients and R-square values were considered reliable.

Following guidelines set forth by Podsakoff et al. (2003), Common method bias was addressed by avoiding vague concepts, kept questions simple, specific and concise, and avoided double barreled questions. Second, Harman's one factor test was conducted. No single factor emerged or one general factor accounted for most of the variance implying that no substantial common method bias was present. On close examination of the output from the unrotated factor solution, discriminant validity was present.

Non-response bias test for all mean differences for each of the constructs did not reveal any significant difference between the early and late questionnaires (2-tailed *t*-tests,  $p < 0.05$ ).

### 3.7. Factor Analysis

An exploratory factor analysis was conducted using the Principal Components Analysis (PCA) approach with varimax rotation to establish the underlying pattern in the data. PCA approach was chosen because it provides a linear summarization of the data into simpler components and produces exact scores rather than estimates. PCA is also the simplest of the true eigenvector-based multivariate analyses that often reveals the internal structure of the data in a way that best explains the variance by providing the user with a lower-dimensional picture when viewed from its most informative viewpoint. Varimax rotation generally yields more stable results and is easier to interpret (Ahimbisibwe & Nangoli, 2012). A number of meaningful factors explaining a larger percentage of the common item variance emerged and all items loaded cleanly on the hypothesized constructs exceeding 0.50 as illustrated in Tables II, III, IV and V.

Factor analysis results for governance mechanisms yielded six components which were interpreted as *service level objectives* (variance= 11.46%), *process ownership plan* (variance= 11.32%), *service level contents* (variance 11.31%), *measurement charter* (variance 10.8), *conflict arbitration charter* (variance 10.6%), and *enforcement charter* (variance 10.1%) all explaining 65.59% of the total variance in governance mechanisms (Table II).



**Table II**  
**Factor analysis results: governance mechanisms**

	<i>Service level objectives</i>	<i>Process ownership plan</i>	<i>Service level contents</i>	<i>Measurement charter</i>	<i>Conflict arbitration charter</i>	<i>Enforcement plan</i>
We include a statement of our management and organizational structure at the end of outsourced contract once the relationship is fully operational.	.77					
We include statement of innovation expectations and capabilities of the service provider.	.69					
We include a statement of our business objectives from the service.	.714					
Our outsourced contract contains statement of process ownership roles and responsibilities		.70				
Our outsourced contract contains list of processes that are required to manage the agreements between us and service providers.		.67				
Our outsourced contract contains list of processes directly affected by the services included in the agreements.		.63				
Our outsourced contract contains a statement of the key business measurements required.			.71			
Outsourced contract contains established service quality targets			.57			
Outsourced contract contains general description of the services required, major categories of the services, specific service elements.			.769			
Our outsourced contract contains a statement of measurement methodology.				.67		
Our outsourced contract contains definition of what is to be measured e.g. price, customer satisfaction.				.62		
Outsourced contract contains definition of the processes to periodically measure the defined categories.				.73		
Our outsourced contract contains a statement of the parameters for involving the third party in discussions between us and service providers.					.67	
Outsourced contract contain a schedule for regular interaction and timetables for resolving issues between us and the providers.					.71	
Outsourced contract contains a statement of the practices and conduct rules required to preserve the independence of the independent.					.69	
Our outsourced contract contains penalty definitions and formula						.72
Our outsourced contract contains conditions under which termination may occur.						.65
outsourced contract contains statement of exit responsibilities						.61
<b>Eigen Value</b>	1.98	1.95	1.92	1.84	1.82	1.81
<b>Variance %</b>	11.46	11.32	11.31	10.8	10.6	10.1
<b>Cumulative %</b>	11.46	22.78	34.09	44.89	55.49	65.59

Buyer-supplier trust yielded three components which were interpreted as *honesty* (variance= 19.36%), *credibility* (variance= 19.32%) and *benevolence* (variance= 19.31%). The trio together explained 57.99% of the variance in buyer-supplier trust (Table III).

**Table III**  
**Factor analysis results: buyer-supplier trust**

	<i>Honesty</i>	<i>Credibility</i>	<i>Benevolence</i>
Promises made by this supplier are reliable.	.75		
This supplier is knowledgeable regarding his/her products.	.73		
This supplier is open in dealing with us.	.77		
If problems such as shipment delays arise, the supplier is honest about the problems.		.72	
This supplier has no problems answering our questions.		.71	
This supplier has made sacrifices for us in the past.		.69	
This supplier cares for us.			.72
In times of shortages, this supplier has gone out on a extremity for us.			.67
This supplier is like a friend.			.69
We feel the supplier has been on our side.			.58
<b>Eigen Value</b>	2.97	2.94	2.91
<b>Variance %</b>	19.36	19.32	19.31
<b>Cumulative %</b>	19.39	38.68	57.99

Supplier opportunism yielded three components which were interpreted as *distorting information* (variance= 25.36%), *shrinking promises* (variance= 24.32%) and *evasion* (variance= 23.31%). The trio together explained 72.99% of the variance in supplier opportunism (Table IV).

**Table IV**  
**Factor analysis results: supplier opportunism**

	<i>Distorting information</i>	<i>Shrinking promises</i>	<i>Evasion</i>
The supplier changes prices without our knowledge	.76		
Our supplier does not give us truthful information	.73		
Our supplier gives us wrong information about goods and services.	.77		
The supplier does anything within his means to further his own interests.	.75		
Promises made by our supplier are not all fulfilled.		.76	
Our supplier does not inform us when they are going to replace their suppliers.		.72	
Our supplier refuses to adopt our contract terms and conditions		.74	
On occasion, the supplier has lied about certain things in order to protect his interest.		.71	
Our supplier evades the performance of some duties.			.78
Sometimes the supplier slightly alters facts in order to get what he /she wants.			.73
Sometimes the supplier presents facts in such way that he looks good.			.69
Our supplier drags us into forced negotiations.			.68
<b>Eigen Value</b>	3.32	3.21	3.19
<b>Variance %</b>	25.36	24.32	23.31
<b>Cumulative %</b>	25.36	49.62	72.99

Supplier delivery performance yielded three components with explained variance of 75.99% of the variance in supplier delivery performance. The three components were interpreted as *supplier reliability* (variance= 26.36%), *matching specifications* (variance= 25.32%) and *cost mitigation* (variance= 24.31%) (Table V).

**Table V**  
**Factor analysis results: supplier delivery performance**

	Supplier reliability	Matching specifications	Cost mitigation
Supplier delivery is reliable	.78		
Supplier delivers complete orders as required	.72		
Supplier delivery speed is good	.74		
Supplier delivers as per the specifications.	.73		
We do not doubt the quality of outsourced services		.75	
The outsourced services are free from defects		.74	
Supplier has been consistent		.73	
Supplier delivers as many times as required		.72	
Supplier makes fine deliveries without faults			.73
Supplier charges fair prices compared to others			.78
Supplier is flexible			.72
User complaints have reduced since we started using this supplier			.68
Our outsourced providers are cooperative in problem solving			.72
<b>Eigen Value</b>	3.22	3.11	3.09
<b>Variance %</b>	26.36	25.32	24.31
<b>Cumulative %</b>	26.36	51.68	75.99

## 4. RESULTS

### 4.1. Zero order Correlation

All the hypotheses were supported. Table VI demonstrates significant positive relationships between governance mechanisms and buyer-supplier trust ( $r=.43^{**}$ ,  $p<.01$ ), buyer-supplier trust and supplier delivery performance ( $r=.36^{**}$ ,  $p<.01$ ), supporting *H1* and *H2* respectively. Governance mechanisms and supplier opportunism were significantly and negatively associated ( $r=-.26^{**}$ ,  $p<.01$ ) while supplier opportunism was also significantly and negatively related to the supplier delivery performance ( $r=-.54^{**}$ ,  $p<.01$ ), supporting *H3* and *H4* respectively. As expected supplier opportunism was also significantly and negatively related to buyer-supplier trust ( $r=-.34^{**}$ ,  $p<.01$ ) while governance mechanisms positively and significantly associated with supplier delivery performance ( $r=.042^{**}$ ,  $p<.01$ ) (Table VI).

**Table VI**  
**Zero Order Correlations**

	Mean	SD	(1)	(2)	(3)	(4)
<b>Governance mechanisms-(1)</b>	3.88	0.14	1.00			
<b>Buyer-supplier trust-(2)</b>	3.97	0.16	0.43**	1.00		
<b>Supplier opportunism-(3)</b>	4.23	0.07	-0.26**	-.34**	1.00	
<b>Supplier delivery performance-(4)</b>	3.89	0.09	0.42**	.36**	-.54**	1.00

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

### 4.2. Hierarchical regression analysis results

Consistent with Table VI, results in Table VII show the variation explained by the predictor variables (governance mechanisms, buyer-supplier trust and supplier opportunism) in the dependent variable (supplier delivery performance). Hierarchical regression approach was used to point out the contribution of each predictor in the regression model (Field, 2006). This enabled theoretical assumptions to be tested so as to examine the influence of each antecedent in a sequential way, such that the relative importance of a predictor is judged on the basis of how much it adds to the prediction of a criterion variable (Kamukama, 2013). All these antecedents explain 40.5% of the observed variance in supplier delivery performance (R Square = 0.405).

In model 1 only governance mechanisms was first entered and accounted for 17.5% of the variation in supplier delivery performance (R square = 0.175, R square change = .175, F- change = 58.833). In model 2 buyer-supplier trust was added and accounted for 4.7% of the total variation in supplier delivery performance (R square = 0.22, R square change=.047, F-change=16.59). Results further indicate that both mechanisms and buyer-supplier trust are significant predictors explaining 22.1% of the variance in supplier delivery performance (R square =0.221).

**Table VII**  
**Hierarchical Regression results**

Variable	Model 1	Model 2	Model 3
Governance Mechanisms-(GM)	0.441**	0.347**	0.282**
Buyer-supplier trust-(BST)		0.329**	0.209**
Supplier opportunism-(SOB)			-0.258**
Constant	2.322**	1.457**	2.787**
Sample n	279	279	279
R	.418	.470	.637
R <sup>2</sup>	0.175	0.221	0.405
Adj R <sup>2</sup>	.172	0.216	0.399
R square change	.175	.047	.184
F Change	58.833	16.590	85.393

Note: Supplier delivery performance is the dependent variable, N=632 \*\*Significant at 1%

Model 3 shows that when supplier opportunism was added in addition to mechanisms and buyer-supplier trust, they all significantly predicted supplier delivery performance. The results further reveal that supplier opportunism accounts for 18.4% of supplier delivery performance (R square = 0.405, R square change=.184, F-change=85.393). Among the independent variables, supplier opportunism was a better predictor of supplier delivery performance (R square change=.184) than governance mechanisms (R square change = .175, Sig. = .000) and buyer-supplier trust (R square = .047, Sig. = .000) and the regression model was significant (P <.01).

#### 4.3 Testing for mediation effects

Consistent with Baron and Kenny's (1986) four conditions for existence of mediation effects were tested and results are summarized in Table VIII and IX.

First, the mediation effect of buyer-supplier trust between governance mechanisms and supplier delivery performance was tested. Table VIII indicates that all the four conditions for mediation effects are met according to Baron and Kenny (1986).

First, there is an effect to be mediated ( $\beta=0.619, p<0.01$ ). Second, there is a significant relationship between governance mechanisms and mediator (buyer-supplier trust) ( $\beta=0.612, p<0.01$ ), and third, the coefficient of the mediator (i.e. buyer-supplier trust) is significant in regression model three ( $\beta=0.444, p<0.01$ ) with both governance mechanisms and mediator (buyer-supplier trust) as predictors. Similarly, the total effect of governance mechanisms on supplier delivery performance is less in regression three (*standardized Beta coefficient*= 0.333,  $p>0.01$ ) than in regression model two (*standardized Beta coefficient* =0.727,  $p>0.01$ ). Hence providing support for H5, that, *buyer-supplier trust significantly mediates the relationship between governance mechanisms and supplier delivery performance*. Since the coefficient of the predictor is other than zero, then these findings indicate that partial mediation exists in this relationship.

**Table VIII**  
**Mediating effect of buyer-supplier trust on the relationship between governance mechanisms and supplier delivery performance**

Predictor	Dependent variable								
	Buyer-Supplier Trust			Supplier Delivery Performance					
	Model 1			Model 2			Model 3		
B	SE	Beta	B	SE	Beta	B	SE	Beta	
Intercept	1.489	.151		1.401	.201		1.032	.163	
Governance Mechanisms	.612**	.039	.655	.619**	.052	.727	.283**	0.54	.333
Buyer-Supplier Trust							.444**	.048	.587

Note: N=632, \* $p<0.05$ , \*\* $p<0.01$

Further, the mediation effect of supplier opportunism between governance mechanisms and supplier delivery performance was also tested. Table IX shows that all the four conditions for existence of mediation effects are also met according to Baron and Kenny (1986) testing procedures of mediation.

First and foremost, there is an effect to be mediated ( $\beta=0.674, p<0.01$ ). Secondly, there is a significant relationship between governance mechanisms and mediator (supplier opportunism) ( $\beta=-0.610, p<0.01$ ), and third, the coefficient of the mediator (i.e. supplier opportunism) is significant in regression model three ( $\beta=0.569, p<0.01$ ) with both governance mechanisms and mediator (supplier opportunism) as predictors.

Similarly, the absolute effect of governance mechanisms supplier delivery performance is less in regression three (*standardized Beta coefficient*= 0.347,  $p>0.01$ ) than in regression model two (*standardized Beta coefficient* =0.737,  $p>0.01$ ). Hence providing support for H6, that, *supplier opportunism significantly mediates the relationship between governance mechanisms and supplier delivery performance*. Since the coefficient of the predictor is also not zero, then these findings also indicate that partial mediation exists in this relationship.

**Table IX**  
**Mediating effect of supplier opportunism on the relationship between governance mechanisms and supplier delivery performance**

Predictor	Dependent variable								
	Supplier Opportunism			Supplier Delivery Performance					
	Model 1			Model 2			Model 3		
	B	SE	Beta	B	SE	Beta	B	SE	Beta
Intercept	1.489	.151		1.276	.207		.376	.186	
Governance mechanisms	-.610**	.039	.810	.674**	.055	.735	.318**	.057	.347
Supplier opportunism							.569**	.061	.582

*Note: N= N=632, \*p<0.05, \*\*p<0.01*

4.4. *Support for Hypotheses:* Using 632 observations provided by Uganda’s public sector staff to validate the model, the survey data supported all the 6 hypotheses, as shown in Table X.

**TABLE X**  
**SUPPORT FOR HYPOTHESES**

Hypothesis	SUPPORT
<i>H1: There is a significant positive relationship between well designed governance mechanisms and buyer-supplier trust.</i>	YES
<i>H2: There is a positive relationship between buyer-supplier trust and supplier delivery performance at the organizational level.</i>	YES
<i>H3: There is a significant negative relationship between well designed governance mechanisms and supplier opportunism</i>	YES
<i>H4: There is a negative relationship between supplier opportunism and supplier delivery performance.</i>	YES
<i>H5: Buyer-supplier-trust significantly mediates the relationship between governance mechanisms and supplier delivery performance.</i>	YES
<i>H6: Supplier opportunism significantly mediates the relationship between governance mechanisms and supplier delivery performance.</i>	YES

## 5. DISCUSSION OF FINDINGS

Results provide empirical support that governance mechanisms impact supplier delivery performance intermediated by trust and supplier opportunism. Governance mechanisms positively and significantly impact buyer-supplier trust. This suggests that well specified contracts promote the expectation that the other party will behave co-operatively which is very critical for buyer-supplier trust. Similarly, the findings indicate that governance mechanisms help to ensure that early, more vulnerable stages of outsourcing are successful. Equally, long term provisions promote the longevity of the contract by reducing the impact of unexpected disturbances. The complex contracting involved in outsourcing requires parties to mutually determine and commit to processes for dealing with unexpected changes, penalties, for non-compliance as well as other joint expectations of the exchange which help to gradually build trust.

The findings also indicate that governance mechanisms negatively and significantly impact supplier opportunism. This finding suggests that governance mechanisms not only have the advantage of building buyer-supplier trust because of their formal specification of long-term commitment to exchange but thorough well-articulated clauses that specify punishments can also limit supplier opportunism. This also implies that failure to contractually specify obvious clauses in outsourcing that can easily be specified lowers expectations for co-operation and amplifies motivations for short-run cheating. Thus, the rigorous process of contracting in response to exchange hazards positively affects future transactions through development of social relations which build buyer-supplier trust and hinder supplier opportunism. These findings are consistent with Poppo and Zenger (2002), Goo et al. (2009) and Stefanie et al. (2010).

Buyer supplier-trust was found to be positively influence supplier delivery performance. This shows that when there is buyer-supplier trust in outsourcing, suppliers are more likely to deliver as expected. The finding also suggests that through effective buyer supplier-trust, supplier delivery performance is likely to improve due to cooperation and commitment, information sharing and reduced negotiations and conflict. This is consistent with Koh et al. (2009) who found that buyer supplier-trust has multiple impacts on supplier performance transactions between organizations in form of cooperation, commitment, information sharing and reduced conflict. This finding also mirrors Chiles and McMackin's (1996) study which established that buyer-supplier trust reduces transaction costs and increases information sharing. This finding also reflects other previous research findings (e.g., Hoyt and Huq, 2000; Dyer and Chu, 2003; Zaheer et al., 1998a; Johnston et al., 2004).

The results further indicate that supplier opportunism is negatively associated with supplier delivery performance. This implies that perceived threat of supplier opportunism is a major source of increased costs. Buyers are faced with a greater need for screening, negotiating, and monitoring partners' behaviour, which results in increased transaction costs. This finding mirrors Ntayi et al.'s (2010b) study that found opportunistic behaviour negatively affected supplier performance due to a supplier's lack of commitment to a given contract's terms, and as a result, the value contributed by the supplier to the buyer's is poor.

These findings also echo Wathne and Heide's (2000) research that found supplier opportunistic behaviour had a significant and negative impact on supplier performance. The results further indicate that governance mechanisms have a positive and significant effect on supplier delivery performance. This means that well specified outsourcing contracts ultimately lead to better supplier delivery performance and vice versa. This finding mirrors Hoyt and Huq's (2000) research that established that governance mechanisms improve supplier performance.

Buyer-supplier trust and supplier opportunism were found to have significant mediating effects between governance mechanisms and supplier delivery performance. This suggests that governance mechanisms improve supplier delivery performance through buyer-supplier trust, whereas supplier opportunism appears to diminish the positive relationship between governance mechanisms and supplier delivery performance. For the mediating effect results of buyer-supplier indicate that well-crafted contracts promote longevity in exchanges by increasing the penalties for a party that may prematurely dissolve an exchange relationship, and if supported by trust between buyers' and sellers, the level of supplier delivery performance is likely to be higher.

This finding possibly indicate that the process of developing a comprehensive and complex contract itself requires parties to engage in joint problem solving and both parties have to work as a team to develop and negotiate the various provisions that are incorporated in the SLA, including difficult aspects of the contract such as acceptable service levels, penalties for noncompliance and future contract changes. These joint efforts also lead to the development of social relationships and trust between the two parties, which helps the suppliers to meet the established governance mechanisms, thereby improving supplier delivery performance.

These findings resonate well with studies by Poppo and Zenger (2002), Goo et al. (2009) and Stefanie et al. (2010) who empirically found that contract mechanisms and relational governance are both needed to improve supplier delivery performance. However, on the other hand, the presence of supplier opportunism negatively reduces the positive relationship between buyer-supplier trust and supplier delivery performance.

## **6.0. IMPLICATIONS, LIMITATIONS AND CONCLUSION**

### *6.1. Implications for practice*

This study provides interesting findings which have implications for both practice and theory. For practice there is a need for all stakeholders involved in outsourcing in public sector procurement to strongly fight supplier opportunism. Those involved in procurement like procurement officers, evaluation committees, accounting offices and contract committees should focus increased attention on strengthening supplier evaluation procedures so as to proactively avoid opportunistic suppliers. Further, public entities also need to deliberately develop mechanisms to deal with suppliers who engage in opportunistic behavior. This research found that buyer-supplier trust was positively related to supplier delivery performance. It is quite necessary that these entities develop trusting relationships with reputable firms that over time have been outsourced and shown to be good performers. However, buyer-supplier trust takes time to emerge from fair transactions and cannot be forced. Unfortunately, the PPDA Act (2003) does not favor the growth of long term relationships which are a prerequisite for trust.

The law emphasizes competitive tendering procedures encouraging short term relationships, clearly, changes to current legislation as it stands, is needed if longer term more trust-based relationships between buyers and suppliers are to be developed. Governance need to be complemented with buyer-supplier trust rather than emphasizing on either alone. For the meantime, public entities in Uganda must clearly specify contracts and strengthen the relationships that they have with their suppliers. Otherwise, significant improvements in supplier delivery performance for outsourcing in Uganda's public sector will remain a nightmare.

Additionally, buyers should observe fair conduct in relation to agreements that are in force. When suppliers feel they are not getting what they ultimately deserve or were promised, opportunistic behavior seems to escalate thus negatively affecting the buyer's organization. Entities should ensure that they clearly specify required products with their respective anticipated market prices as required and once delivered as needed buyers should make prompt payments to suppliers in a timely fashion as outlined by the terms of the contract. In doing so, outsourced suppliers will not only have a better understanding of what they need to deliver, but with payment assured, they should also be more motivated to do so in a more effective and efficient manner.

The PPDA Authority should educate suppliers about the dangers of opportunistic behavior and its negative impact on supplier delivery performance. During these sessions, suppliers should be encouraged to refrain from this type of behavior and be made to clearly understand that engaging in opportunistic behavior can significantly and negatively impact their future business prospects with the PPDA Authority. Adamant opportunistic suppliers should be suspended from being awarded any future contracts for some time or banned completely from participating in public procurement.

### *6.2. Implications for theory*

The study makes an important contribution by developing and testing a framework to explain the governance mechanisms impact supplier delivery performance intermediated by trust and supplier opportunism in Uganda's public sector as a case from a developing world context. This is a significant contribution because scholars have largely not examined contracts both in theoretical and empirical analysis despite contracts being an essential component of any public procurement transactions in terms of pricing, service levels and quality requirements in a contractual relationship. Similarly, although many classical studies are reported in different domains involving these constructs in the so called developed world; existing empirical studies that focus on how they are linked together from a less developed country context are very scarce. The study is a stepping stone to studies that seek to understand public procurement governance mechanisms which serve to align interests of contracting parties, increase information sharing, gradually develop trust, and reduce the potential of supplier opportunism. This has a great potential to improve the current literature on understanding of supplier delivery performance and the broad logistics performance and supply chain management.

### *6.3. Limitations and future research*

Although this study presents interesting empirical findings, there are latent limitations worth noting. First, the data collection instrument that was used by this study was a standard questionnaire which limits the information beyond the questions contained within the survey instrument. Future research should use a qualitative case-based approach that uses in-depth interviews to solicit unstructured views about supplier opportunism. Secondly, this study adopted a cross sectional research design approach which cannot assess the behaviors of the variables over time. Nonetheless the purpose of this study was to establish correlations, not causality (although correlation is necessary for linear causation in the absence of any third and countervailing causative variable and can indicate possible causes or areas for further investigation; in other words, correlation gives a hint).

Future research could employ a larger sample involving different types of public procurement stakeholders like the regulators, evaluation committees, remote districts, beneficiaries and more tax payers. Future studies should involve suppliers that provide outsourced goods and services. It would be interesting to compare and contrast viewpoints of both buyers and suppliers and in doing so, may provide insights into the basis for the phenomenon examined by this research that is otherwise unavailable at this time. While corruption can also provide an interesting explanation of how the current problems manifest on the ground with corruption appearing to be a contributing factor to the current poor supplier delivery performance, it was not possible to investigate it in this study and remains a difficult area to study due to the political influence involved in Uganda. Future studies could examine the impact of corruption on supplier delivery performance. Future studies should also try to obtain measurements of the independent and dependent variables from different sources and at different times to overcome potential threat of common methods bias. Lastly, this study uses regression analysis which has many weaknesses. These weaknesses especially issues of endogeneity and multicollinearity will be fully examined in the next stage using structural equation modelling but as per now this study remains purely exploratory and hopefully it acts as a stepping stone to future confirmatory studies.

### *6.4. Conclusion*

Based on the findings and the foregoing discussion, the study establishes that governance mechanisms impact supplier delivery performance intermediated by trust and supplier opportunism for outsourcing contracts in Uganda's public sector procurement. Of all the predictors of supplier delivery performance, supplier opportunistic behavior has the highest predicting power and therefore is more important in influencing supplier delivery performance. Altogether, the predictors (governance mechanisms, buyer-supplier trust and supplier opportunistic behavior) account for 41.6% of the total variance in the depend variable (supplier delivery

performance). Fundamentally, well specified formal contracts together with effective buyer-supplier trust have been found to be the engine of supplier delivery performance as depicted by exploratory factor analysis and hierarchical regression results. Therefore, for outsourcing in public sector context, the design of well specified contracts, development of buyer-supplier trust and mitigating supplier opportunistic behavior are the significant factors for successful supplier delivery performance. However, this study is exploratory and can potentially be used as a stepping stone in the future for more research.

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