

# Factors Affecting Procurement Performance in Ethiopian Governmental Organizations

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## Abstract

The study's major goal is to look at the elements that influence Ethiopian government organizations procurement performance. In order to achieve this objective secondary data which was collected using review of meta-analysis method was used. The study found that staff competency, management, finance/ budget, customers/ users, fraud and corruption, transparency organizational culture, legal, political, socio- economic, market and technology are the main factors affecting the performance procurement in Ethiopian public organizations. The researchers suggest that, based on the study's findings, the employment recruitment process and practices of these organizations should be thoroughly checked and these organizations should give ongoing trainings, Conduct some research as well as a SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats).

**Keywords:** Procurement Performance, Environmental Factors, Staff Competence.

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## 1. Introduction

### 1.1. Background of the Study

Procurement best practices result in cost-effective purchases and quality materials. Procurement's main goals are to improve quality, reduce financial and technical risks, increase organizational honesty, and safeguard against competition (Walter et al, 2015). Procurement is vital to businesses, and its tactics have become an integral aspect of their success. It improves efficiency and competitiveness, and in order to achieve these goals, it's critical to focus on the strategic elements that influence procurement function performance.

Procurement plays a key role on the development as, resources are mostly used to procure goods, works or services critical to the achievement of a project development objective (PDO), Public procurement represents 10 to 20% of the GDP of a country and Opportunities for fraud & corruption affect the achievement of the PDOs (World Bank, 2011). In developing countries like Ethiopia, procurement is one of the key tools to the attainment of growth objectives such as poverty reduction, giving health infrastructure, education, and other services helps to maximize the use of public monies.

Procurement is often ignored, mismanaged, and lacks open competition and transparency. Corruption can also arise throughout the procurement process. In many private organizations, there is a shortage of experienced and competent procurement experts who are capable of conducting and managing procurements. Contract delays, increased prices, and a lack of fair competition are all caused by inflexible and bureaucratic procurement procedures, all of these factors have a negative impact on the procurement process and results. Procurement is influenced by a variety of issues arising from both internal and external influences in businesses. Among the top issues for firms already coping with the existing multifaceted pricing constraints is attracting and maintaining ability in the procurement arena (Berger & Humphrey, 2007).

According to the Ethiopian Procurement and Property Administration Agency (PPA) report, out of the total public spending, more than 60 per cent goes to procuring public goods and services. As a result, the goal of this study was to look into the elements that influence procurement performance, such as how they were carried out and what obstacles arose and continue to arise during the procurement process in Ethiopia.

### 1.2 Statements of the Problem

Among the most crucial departments of a corporation is procurement. It greatly increases the organization's efficiency and effectiveness. Any department/organization is expected to purchase goods/services or works for use by all departments in the company at the proper time, price, location, quantity, and quality in order for the organization to reap major benefits and be able to better serve its clients (Snider and Rendon, 2001).

Senait, Asefa, and Seid (2016) looked at how certain factors affect procurement performance, as well as their impact on overall organizational efficiency, has been a hot topic for years. Incompetent workers, antiquated procurement practices, deprived organization of procurement actions, and a lack of suitable legislation are all common causes of weak procurement performance. The most connected elements affecting procurement performance in their analysis were determined to be staff competency and resource allocation. Training, inspiration, procurement negotiation abilities, innovation, interpersonal and analytical skills, and staff

deployment based on talents were all evaluated as aspects of employee competency. The resource allocation component took into account the availability of resources, the flexibility of budget allocation to meet changes in the economy, tender award, and tender float based on resource availability and confirmation.

According to Zegeye (2015), the University's users have a weak culture when it comes to establishing annual purchase plans. Procurement performance is directly affected by this. The findings likewise originate that the departments developed annual procurement strategies and that the procurement plans and targets were developed in a collaborative manner. Procurement plans have impact on procurement performance in the sense that they enable targeted and efficient use of available resources, assist in budgeting and planning, and ensure that performance is assured with enough budgets provided by procurement plans.

According to Elias (2017), each governmental organization's current procurement difficulties include a lack of skilled human resources and insufficient office space. Furthermore, to the best of the researchers' knowledge, no studies involving environmental factors, particularly external environmental factors, have been undertaken in Ethiopia. Consequently, the researchers decided to look into the combined influence of these factors on Ethiopian procurement performance. As a result, the following research questions were posed to the researchers.

### 1.3 Research Questions

- ✓ What are the external elements that influence procurement performance?
- ✓ What internal forces influence procurement results?
- ✓ How qualified is the procurement department's staff?

### 1.4 Objectives of the Study

#### 1.4.1 General Objectives

The study's overall goal is to look into the elements that influence procurement performance in Ethiopian government organizations.

#### 1.4.2 Specific Objectives

- ✓ To figure out what external factors influence procurement performance.
- ✓ To identify the internal environmental elements that impact procurement performance.
- ✓ To investigate the procurement capabilities of the personnel.

## 2. LITERATURE REVIEW

### 2.1 Concepts of Procurement

Giunipero et al. 2006; Hines, 2006; Porter 1998; Triantafillou (2007), Van (2000), define procurement as the purchase of products, capabilities, and knowledge that businesses require from the right source, to maintain and manage a company's primary and support activities at the appropriate quality, in the right quantity, at the right price, and at the right time. Procurement, according to Mangan et al (2008), is the procedure of locating and purchasing commodities and services. It involves all operations from discovering possible suppliers to supply to the beneficiary, including sourcing and purchasing.

According to Lysons and Farrington (2006), purchasing is defined as the processes carried out by the organization unit that has the responsibility of identifying and the needs or demands of the organization and finding the needed resource from the best suppliers at affordable price, at the right place and making the enterprise's winner in the today's intense competitive environment.

Alternatively, Quayle (2006) defined it by paraphrasing Compton and Jessop as the acquisition of commodities and services with or without compensation through various mechanisms (loan, transfer, hire buy). From the entire definition listed above, it is possible to conclude that procurement entail that it is a process and parts of the supplies management process works to bring effective and efficient management of resource, engaged in acquisition of materials and services by various means, the acquisitions are based on the right manner (time, quality, quantity, price...) and developing its own strategy that relates to the corporate strategy.

According to Quayle (2006) the term purchasing and procurement are often used interchangeably; however, there might be a distinction in that purchasing is more concerned with establishing and managing a commercial relationship, whereas procurement is also concerned with the more physical material or service delivery control aspects after the contract has been let or the order placed. On the other hand Lysons and Farrington (2006), procurement is a wider term than purchasing, which implies the acquisition of goods or services in return for a monetary or equivalent payment. Procurement, however, is the process of obtaining goods or services in any way, including borrowing leasing and even force or pillage.

### 2.2 Factors Influencing the Success of Procurement Practice

The performance of a procurement is determined by decisions in the areas of inventory, transportation, facilities and information. Hence these four areas are identified as drivers of supply chain performance. A number of factors that affect procurement and supply chain performance are;- Environmental uncertainty, Technology,

Supply Chain Relationships, Flexibility and Quality (Dwivedi and Butcher, 2009).

Telecommunications and computer technology allow all the actors in the supply chain to communicate among each other. The consumption of information technology allows suppliers, manufacturers, distributors, retailers, and customers to reduce lead time, paperwork, and other unnecessary activities. It is also believed that managers will experience considerable advantages with its use such as the flow of information in a coordinated manner, access to information and data interchange, improved customer and supplier relationships, and inventory management (Handfield and Nichols, 2013).

Managing the external environment has increasingly become a major challenge to the modern manager. This is mainly because of the fact that the environment is highly dynamic. Whether the changes are significant or not, managers still need to consider them because as an open system, an organization is highly dependent on the outside world for such things as its supplies. Ability to cope or effectively manage the external environment may be the difference between a successful and a failed organization (Otieno, 2004)

The subsequent are some of the most important aspects that influence procurement performance.

### **I. Purchasing Strategy**

Procurement preparation is the buying task that allows businesses to get goods and services from outside vendors (Burt et al, 2004). A procurement strategy specifies and documents the specifics of purchases from vendors that a department requires. Procurement planning, according to Basheka (2008), is a significant action that sets the tone for subsequent procurement actions. Similarly, according to James (2004), planning concepts can be employed in a completely harmonious environment.

According to Peter (2012), a strong procurement plan should detail the process of contractually appointing relevant vendors. The items that must be procured are defined first, and then the procedure for getting those products is detailed. Finally, a delivery schedule is established. Furthermore, according to Quentin (2003), procurement planning is significant for the succeeding motives: it assists in determining what to purchase, when to purchase, and from what sources; it allows planners to decide if prospects are realistic, particularly those of requesting entities, which typically expect their requirements to be encountered on small announcement and in a smaller period than the resultant procurement system permits; it provides a chance for entire stakeholders.

### **ii. Competency of Employees in the Procurement Process**

Competency, according to Armstrong and Baron (1995), is the solicitation of awareness and abilities, in addition to the performance delivery and conduct necessary to get things completed properly. Aside from that, competency refers to a person's ability to operate in a variety of scenarios based on their knowledge and abilities (Aketch and Karanja, 2013).

According to Russell (2004), a lack of expertise in procurement matters can lead to serious consequences, such as code of conduct violations. Many firms, according to Banda (2009), lack the personnel with the necessary skills for effective procurement procedure supervision. As a result, significant and ongoing investment in training and development is made (Sultana, 2012), and comprehensive external training for human resources is required in order to improve and contribute to organizational efficiency (Appiah, 2010). Furthermore, according to Saunders (1997), multiskilling provides personnel with a diverse set of talents and should be further developed. As a result, all personnel require ongoing education and training.

Qualifications are critical for value-based management, according to Leenders and Fearon (2002), which demands individuals to review and improve procedures while paying to group performance. According to Baily et al. (2005), top-down objectives with associated performance measurements and process rules link individual or group performance to the firm's aims and expectations of higher management, which necessitate appropriate credentials.

According to Banda (2009), many firms lack professional personnel with the necessary understanding for effective procurement process management. He also suggested that authorities place a greater emphasis on creating expertise so that optimal practices might be adopted more broadly. According to Berger & Humphrey (2007), a professional procurement function is at the heart of delivering any service based on the value for money premise.

### **iii. Procedures for Procurement**

Procedures, according to Moncska et al (2010), illustrate how the procurement job must work to accomplish planned objectives by providing guidance to employees on what to do in the implementation of operations, putting limitations on behavior and demonstrating how the procurement function would work. In any procurement department, procedural procurement ensures order and efficiency. Public procurement systems, according to Baily et al. (2005), are regarded as by high ranks of bureaucracy regardless of order value, inadequate communications, and an emphasis on unit price rather than long-term relationships. Ineffective procurement methods would result in the failure of government policy objectives. According to Burt et al. (2004), every business is supposed to build processes that allow its employees to carry out policies and plans that are designed to achieve goals.

The procurement function, according to Moncska et al (2010), has a substantial impact on corporate

performance. Consequently, old practices are being phased out of modern businesses. Finally, according to (Eriksson and Westerberg, 2011), procurement opinions are influenced by organizational structure, internal communication system quality, prior experience, and available resources. Government rule purposes would not be met unless elaborate and effective procurement procedures were in place.

#### iv. Allocation of Resources

The process of identifying the optimum method to use existing properties or resources in the implementation of a project is known as resource allocation. Companies try to distribute wealth by reducing costs and increasing profits by employing strategic planning techniques, functional guidelines, and policies and procedures that help the company achieve its objectives (Shantanu et al, 2012).

When a corporation formulates its future vision and goals, resource allocation begins with strategic planning. According to Ouma Danis et al, most public bodies lack clear accountability for how the capitals delivered effect their performance, therefore violating the essential philosophies of public procurement (2014). Production tools, manufacturing plants, and formal reporting structures are examples of tangible resources that can be understood and quantified. Intangible resources are assets that have gathered through time and are often strongly ingrained in the company's history (Michael and Hoskisson, 2007).

### 3. RESEARCH METHODOLOGY

#### 3.1 Research Approach

This study used qualitative research approach. The quantitative approach provides an objective measure of reality, on the other hand, the qualitative approach allows the researcher to explore and better understand the complexity of a phenomenon. Quantitative and qualitative research methods can have advantages and disadvantages (Sale et al, 2012).

#### 3.2 Type and Source of Data

This study used secondary data which was collected from a review of relevant documents and articles. The documents were reviewed by referring most recent information from authorized documents and different reports. The document reviews were utilized to supplement the information gathered through questionnaires and interviews.

#### 3.3 Application of Meta-Analysis

Meta-analysis seeks to bring together data from different but related investigations. The fixed-effect model and the random-effects model are the two statistical models used in most Meta studies. The fixed-effect model assumes that there is only one genuine effect size, which could differ from study to study (Zewdu, 2019).

#### 3.4 Qualitative Meta-analysis

Meta-analyses are used to combine the findings of multiple investigations. The results of several individual research are statistically assessed using stringent techniques. It is a method for analyzing data in qualitative studies that is deliberate and consistent. It is a method that allows researchers to identify a specific research question before searching for, selecting, evaluating, summarizing, and combining qualitative evidence to answer the topic. It's an interpretive analytical technique that builds on qualitative findings from prior studies to acquire a better understanding of a certain phenomenon.

The review's primary sources were the papers listed below.

No	Author	Title	Year	Major Findings
1	Senait Beyan Hamza, Asefa Gerbi & Seid Hussen Ali	Factors Affecting Procurement Performance in the Case of Awassa Textile Share Company	2016	Staff competency, resource/ budget allocation, procurement planning and procedures.
2	Zegeye Bekele	Factors affecting procurement performance of public higher educational institutions. The case of Jimma University	2015	Organizational structure, staff competency, procurement planning, procurement follow-up mechanism and budget allocation
3	Dr.Uvaneswaran S.M and Mr.Naod Mekennon	Procurement practices and its problems in telecom service. The case of northeast region- Ethiopia	2020	Negligence of procurement unit, fear of delegation, poor planning and bureaucracy.
4	Enock Gideon Musau	Environmental Factors Affecting Procurement Performance in County Governments: A Case of Uasin Gishu County	2015	Market, political, legal and socio-economic environment/factors.

No	Author	Title	Year	Major Findings
5	Asfaw Tsegaye	Analysis of international procurement practices and challenges: the case of Addis Ababa University	2017	Low skill, experience and performance of end users , suppliers and stakeholders
6	Getnet Amdework and Tilahun Aemiro	Public procurement reform in Ethiopia: Factors leading to effective public procurement implementation: The case of Amhara Region	2014	Procurement rules and regulations, transparency and ethics in procurement process,
7	NGWILI Josephat Kioko & Dr. Susan WERE	Factors affecting efficiency of the procurement function at the public institutions in Kenya (a case of supplies branch in Nairobi)	2014	Legal frameworks, technological factors, organizational culture and procurement staff competency.
8	Wossene Mesele	Factors affecting public procurement performance: The Case of Addis Ababa City, Gulele Sub-City Administration	2019	Procurement planning, staff competency, technology utilization, fraud and corruption
9	Gastor Josephat Orio	Factors Affecting strategic procurement practices in public procuring entities in Moshi- Tanzania	2019	Lack of training for procurement staff, less or no strategic linkage with the suppliers.
10	Thomas H, Getu E, WadajoW	Assessment of challenges of purchasing practices in Afar National Regional State	2016	Bureaucratic purchasing procedure, price fluctuation, supplier selection criteria, skill of man power.

## 4. CONCLUSION AND RECOMMENDATION

### 4.1 Conclusion

The main focus of this article was to analyze the factors affecting procurement performance of Ethiopian public organizations. The study, specifically, analyzes the environmental factors, user participation and competency of staff on procurement practices. Based on the secondary data gathered from different related studies, it is concluded that the major factors affecting the procurement performance in many public organizations both in Ethiopia and other countries are factors related to internal and external environments.

Internally factors such as, staff competency, management, finance/ budget, customers/ users, fraud and corruption, transparency and organizational culture are the main factors affecting procurement performance of many public organizations. Externally factors such as, legal, political, socio- economic, market and technology are the main factors affecting the performance procurement in public organizations.

### 4.2 Recommendations

Based on findings of the study the researchers recommends as follows. The incompetence of the staff has been identified as a main factor affecting procurement performance of public organization. This incompetence is due to the recruitment practices in these public organization. Employees are unqualified because hiring is done by relatives or corruption. Therefore, the recruitment process and practices of these organizations should be thoroughly checked and corrective measures should be taken. On the other hand, external environmental factors found as the major factors affecting the performance of procurement in Ethiopian public organizations. Hence these organizations should give ongoing trainings, conduct researches and SWOT (Strength, weakness, opportunity threat) analysis activities.

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