

UNIVERSITY OF SCIENCE AND TECHNOLOGY

**EVALUATION OF PROCUREMENT PROCESSES AND ITS
OPERATIONAL PERFORMANCE IN THE PUBLIC SECTOR OF GHANA: A
CASE STUDY OF KUMASI SOUTH HOSPITAL**

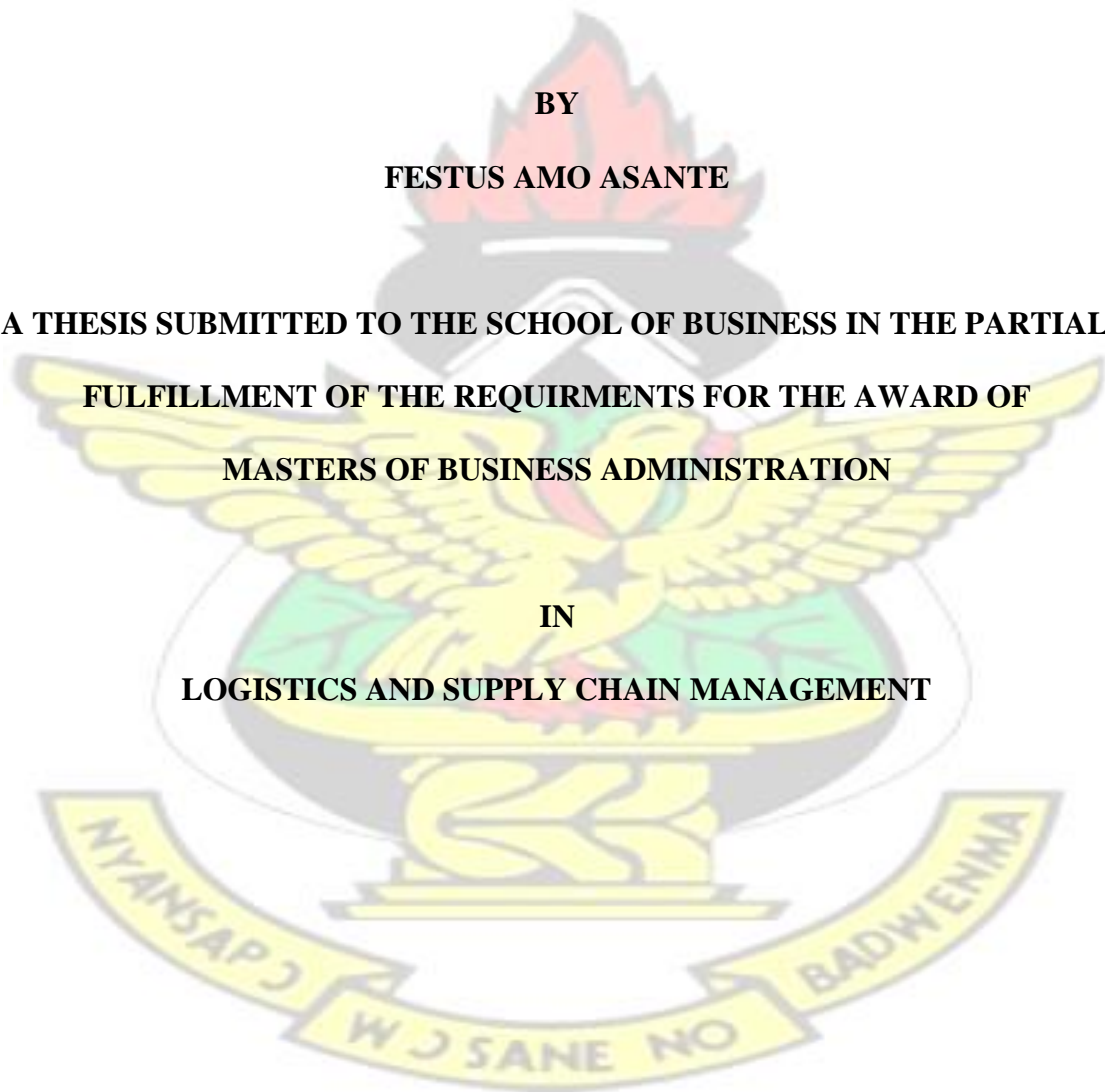
BY

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**A THESIS SUBMITTED TO THE SCHOOL OF BUSINESS IN THE PARTIAL
FULFILLMENT OF THE REQUIRMENTS FOR THE AWARD OF
MASTERS OF BUSINESS ADMINISTRATION**

IN

LOGISTICS AND SUPPLY CHAIN MANAGEMENT



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DECLARATION

I hereby declare that this dissertation is my own research work carried out in the School of Business towards the award of Masters of Business Administration in Logistics and Supply Chain Management under the supervision of Mr. Kwame Owusu Kwarteng and that to my best Knowledge contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University except due acknowledgements has been made in the text.

If any material be discovered which is contravening an intellectual property or is falsified, I shall be solely responsible.

References made to any other work have been duly acknowledged.

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DEDICATION

This project is dedicated to my wife, Mrs. Shelin Amo Asante and children Kwame Amo Asante and Nana Prempeh Amo Asante for giving me support and motivation throughout the programme.

KNUST



ACKNOWLEDGEMENT

The production of this valuable project work would not have been possible without the love and grace of the ALMIGHTY GOD who has protected and guided me throughout the study.

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ABSTRACT

In this era of globalization, procurement has remained a key function of every organization whether private or public. All procurement process regardless of their complexity follows a laid down procedure that requires proper management to maintain the integrity and sanctity of the procurement process. The study sought to evaluate the procurement process and its operational performance of Kumasi South Hospital. A quantitative method approach was adopted and a semi-structured questionnaire was used to collect data from 65 procurement and management staff of Kumasi South Hospital. Using descriptive statistics, it was revealed that the hospital practices some aspects of procurement such as request for tenders, tender opening, tender evaluation and inspection of deliveries that are conforms to PPA requirements. It was discovered that electronic is being utilized in the procurement process of the hospital at a small extent. Most of the respondents strongly believed that eprocurement system would lead to quality purchase, less time of procurement process and less costly. The study revealed that procurement process affect procurement performance in terms of cost, time, and quality. It emerged that labour productivity, resource/equipment utilization and reduced cost are significant ($p=0.000$) in influencing the procurement efficiency. The study also revealed that challenges such as bureaucracy and its related problems like corruption is a major problem as far as procurement process of the hospital is concerned, delay in payment (55.4%). It was realized that, the activities of the procurement process ensures performance in the hospital as a whole, however, for an organization to attain operational efficiency in the procurement system such organization needs to adopt a system that minimizes redundancy, cost and wastage while leveraging the resources that contributes to success and utilizing the best of its technical knowhow, workforce, quality, cost and flexible business process. The study therefore recommended that the government should review the existing procurement law to reduce bureaucracy to meet each organizational needs. Bureaucracy delays procurement efficiency and affects operational performance of hospitals; this review should be done so that hospitals will have some policies to streamline their operations.

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CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

In this period of globalization, procurement has remained a key function of any organization whether private or public. All procurement process regardless of their complexity follows a laid down procedure that requires proper management to ensure value for money and uphold the integrity and sanctity of the purchasing process. Public procurement according to Arrowsmith (2010:1) refers to governmental activities of purchasing of goods, services and works needed to perform its functions. Thus it is the purchasing, hiring or obtaining by any contractual means, goods, consultancy services, and construction works by the public entities (Odhiambo & Kamu, 2003).

Public procurement starts when a public entity has identified the need for procurement and makes decisions based on the available procurement requirement (Ibrahim, 2010). It deals with how public entities spend taxpayers' money on goods, works and services (Hall, 2009). Globally, in developed countries, public entities tend to spend between 8 percent to 25 percent of GDP on goods, works and services. For example, the public procurement expenditure for UK stands approximately at £150 billion (OECD, 2006; Department of Environmental, Food and Rural Affairs, 2007).

In sub-Saharan African countries, public procurement procedures are poorly implemented and this affects the realization of increased economic development in the region negatively (Mithamo et al., 2013). These shortcomings and other weaknesses characterized in Ghana's public procurement system such as the absence of a clearly define public procurement policy and lack of comprehensive legal regulatory framework to preserve the integrity of the procurement system necessitated the

enactment of procurement Act 2003 (Act, 663) to provide substantive measures for best practices in public procurement, eliminate fraudulent practices, secure value for money, maintain the integrity and sanctity of the public procurement system (Public Procurement Authority, 2003).

The public procurement sector is mostly seen as part of the major domestic market in Ghana, which accounted for about 50-70% of national budget (after personal emoluments), 14% of GDP, and 24% of total merchandise import (World bank CPAR, 2003). This clearly shows that procurement consumes huge amount of public expenditure as asserted by Thai (2009). Its expenditure in Malawi constituted about 40% of the total public expenditure in 2005, South Africa it was about 22%, while Uganda; it was 70 per cent (Development assistance committee, OECD, 2005).

Ghana's public procurement Act (Act, 663) spells out the process through which public entities embark on procurement process. However, how are these processes being followed in the procurement process to achieve its operational goals and objective in the system? And is it meeting the general principles of cost-effectiveness, fairness, competitiveness, equitability, and transparency in the system? Handfield et al. (2011) also noted that numerous public entities have started to re-evaluate their purchasing process to come out with new measures that will improve the functions to perform and has significant impact on the performance based on the public expenses that goes into it. Mensah (2013) asserted that efficient and effective public procurement process in the public entities in terms of lead-time reduction, cost reduction, and high quality product and continuity of supply, stakeholder's satisfaction and profit growth of public institutions in Ghana.

Despite the reforms in the procurement process, there are difficulties in Ghana's public purchases, for example non-adherence to procurement policies as well as tender irregularities. It is therefore necessary to evaluate the public procurement processes and its operational performance in the public organizations with specific emphasis on Kumasi south hospital.

1.2 Problem Statement

Administration of the sound public purchases plays a major role in achieving increased economic growth and development. In 2005, annual savings of about US\$150 million was achieved through better management of the public expenditure financed by the government alone (Anvuur et al., 2006).

In most developed countries like UK and USA better management of public procurement has been seen to play a major role in economic growth and development (Edward, 2009). Kinyanjui (2010) noted that developing countries in Africa such as Nigeria, Kenya, Malawi, and Ghana have failed to achieve economic development due to poor management of the procurement system which is characterized by several challenges among them include; heavy clogging of tender request and attendant bureaucratic delays; inefficiency; corruption; and lack of transparency and accountability (ORSEA, 2008).

Due to this, the current public sector procurement in Ghana which accounts for 5070% of the public expenditure, 14% of GDP, 24% of total merchandized import (World Bank CPAR, 2003) are not yielding the desired results in terms of meeting operational requirements of public sector institutions on time as a result of the corruption, inefficiency and bureaucratic nature of the process involved and the impacts negatively on purchasing performance (Mensah & Tuo, 2013). Kirungu (2009) asserted that

though the legal and regulatory framework is in place, the most serious aspect is the risk of bad practices found in the public organizations and the performance of public entities complying to the procurement law and its regulations. The study therefore attempts to provide empirical evidence on current procurement processes and its operational performance in the public organizations of Ghana with specific emphasis on Kumasi South Hospital.

1.3 Objectives of the Study

The general objective of the study is to evaluate the procurement processes and its operational performance in the public sector of Ghana.

Specifically,

- 1) To evaluate the public procurement process of Kumasi South Hospital.
- 2) To examine the effects of procurement process on the performance at Kumasi South Hospital
- 3) To identify the challenges faced by public institutions with regards to procurement processes.

1.4 Research Questions

- 1) What are the public procurement processes of Kumasi South hospital?
- 2) What has being the uphill challenges of public institutions with regards to purchasing process in Kumasi south hospital?
- 3) Is there any significant relationship between purchasing processes and performance of Kumasi South hospital?

1.5 Significance of the Study

The findings of this study are deemed to be applied entirely in the procurement process of both public and private organizations in rationalizing the basic procurement principle of economy, efficiency and effectiveness.

The findings of the study will also provide policy framework to management of Kumasi South hospital to adopt measures to administer sound public procurement process.

Also academicians and researchers will benefit from this study as it will assist them in developing theoretical framework and add up to the existing knowledge of literature for academic purposes for academicians who may conduct future research into purchasing practices and performance.

1.6 Overview of Methodology

This study adopted a case study strategic approach. A case study helps the researcher to develop and understand complex matter. The target population will comprise of employees of Kumasi South Hospital of which 65 workers were purposively selected for the study. Quantitative instruments were employed for the data collection. In order to analyse the data collected a statistical Package for Social Science (SPSS) version 21 was used. This was analysed using descriptive statistics and appropriate graphs.

1.7 Scope of the Study

The study is to evaluate procurement practices and its operational performance in the public organizations of Ghana. The collection of data was restricted to Kumasi South Hospital in the Ashanti Region, hence the results was generalized to cover all the hospitals in Ghana and other public entities in the country with similar characteristics. This should however, be done with great caution and further studies.

The researcher in an attempt to gather data for this study faced the following difficulties. The researcher faced the problem of time management. This is due to combining work and other academic commitment with this study was a very difficult one which should be completed within 4 months. Also most of the respondents were finding it difficult to

answer most of the questions, because they were seen as confidential which can jeopardize their job in the study area. All these may have insignificant effect on the findings of the study.

1.8 Organization of the Study

This study is grouped into five chapters. The first part is chapter one. It covers the background of the study, the problem statement, research objectives, research questions, significance of the study, summary of methodology, scope and the organization of the chapters. Chapter two reviewed the relevant literature to the study. In chapter three the methodological issues in respect of the study are presented which include the study design, population of the study, the sampling technique and sample size, data collection procedure, data analysis method, profile of the organization and ethical issues are outlined. The Chapter four deals with the analysis of the data and discussion of the results. The chapter five sums up, draws conclusion and provide recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the related literature in the research area. The topics under reviewed covered the concept of procurement, Structure of the Public Procurement Act of Ghana, Procurement Reforms in the Health Sector, procurement process, procurement process circle, and procurement function. It also covers empirical studies done on the subject. The empirical literature on the other hand looks at studies that have been conducted on the subject.

2.2 Concept of Procurement

The concept of procurement has been in existence for thousand years, its objective as well as ability to acquire product or service at lowest possible whiles meeting the buyers' needs in terms of quality not changed.(Vonderembse &Tracey, 1999).

Lyson & Gillingham (2003) defined **procurement** as the process of obtaining goods, services, and works for the motive of embarking on business activities of entities. Public procurement refers to the purchasing of goods, services and works by public entities using public fund (World Bank, 1995). Procurement generally involves all the institutions, structure, systems, methods, reviews and other dispute settlement process that are involved in the purchasing of goods, services and works (Public Procurement Authority, 2007).

Similarly Gituma (2009) sees Public procurement as the utilization of public funds by public organizations to buy goods, services and works from the private sector. It encompasses the process of hiring, purchasing or obtaining through contractual means of goods, works, and services by public entity.

Such goods ranges from papers, pins, cleaning materials, and cleaning services, to a large commercial projects like roads, energy centers, water and electricity projects (Gitonga, 2009). Procurement is therefore seen as the principal way for governments to embark on development projects such as the provision and supply of infrastructural and important commodities to the enhance the living standard of the citizenry as well as the development of public industries, enhance balance of payment and ensure equity in the sharing of the national cake. Public procurement has been a means of ensuring good governance in every political state; therefore procurement professionals should take procurement function seriously.

The above definitions indicate that procurement involves purchasing of goods, works, consulting services and other services an organization.

Goods: goods according to International Organization of Migration (2013) include all items, supplies, materials, equipment and furniture, computer, IT and other telecommunication equipment, software, office supplies and household appliances and as well as other equipment needed in project implementation and materials for construction.

Works-these are infrastructural projects in terms of new construction, innovation, roads and bridges or civil works components of information technology projects, irrigation, flood control and drainage, water supply, sanitation, school buildings, hospital and clinic, etc. (Organization for Migration, 2013).

Services-intellectual and non-intellectual activities that are not much covered under the normal goods and works such as legal services, accounting service etc (International for Migration, 2013).

Consultancy Services-technical and other professional expertise beyond internal capacity which include advisory and review services, feasibility studies design, supervision, and management and other studies offered by firms (International Organization for Migration, 2013).

2.3 Theories of Procurement

This subsection deals with the theoretical framework and conceptual framework of the study. The theories that support the current study include the principal agent theory and the general system theory.

The Principal-Agency Theory

Health and Norman (2004) had a notion that the theory of agency model was formulated by an economist which is seen at the situation whereby the principal is in the position to influence the agent to perform some task for the principal's interest. The first proponent of the principal agency theory was Jensen & Meckling (1976) and was further developed by Sarens & Abdolmohammadi (2010).

The major aim of this theory in organization is to maximize at least shareholders wealth efficiently. Since performance of the firm is dependent on the profitability and shareholders value. Fama (2000) noted that efficient economic organization efficiency is dependent of the separation and control of the separation of ownership. This is a clear indication that the procurement professional performed the agency role in the procurement process and the adherence of procurement policy and strategies is dependent on the existing rules and regulations of public procurement in the strategic flow of the procurement cycle. The major hindrance of this theory is the principal agency association that exists between the stakeholders and the procurement management (Bashuma, 2014).

The General system Theory

This theory is also known as the "open system" model. Its application is based on the idea that model is influenced by the external open environment that function within the organization. That is the output and feedbacks are the major functions not only of the conversion element, but other environmental factors as well. However, these outputs and feedbacks are influenced by the project financing system, accountability, ICT adoption, operating procedures and other internal control system.

Thai (2000) noted that the system model covers “*the whole scope of the public procurement*” (p.17). His adoption of this model was much concerned with the core elements of any procurement system and the association between these elements. Thai places that “*the policy-making functions with management executives at the top level of procurement system*”. This therefore resulted in the discounting of the important role policy makers are to the organization in terms of regulations and operational elements.

2.4 Brief History of Procurement Law in Ghana

Prior to the advent of the reforms in the Public Financial management in 1996, Ghana’s procurement process was not having a well-defined rules and procedures. Due to lack of rules and regulatory framework and the absence of a central management Body for procurement, public entities struggled to identify which rules and regulations to dealwith procurement issues (Suleman, 2010). It was until 1999 that the Public Procurement Oversight Group was established to design, implement and coordinates the procurement reforms. The body was also charged with the responsibility to improve the efficiency and effectiveness of country’s procurement system (Osafo-Maafo, 2003). Several shortcomings and organizational weakness like absence of a comprehensive public procurement policy and lack of legal regulatory frameworkhindered efficiency and effectiveness in the public procurement process. These constituted the major hindrance to the government in the conduct of procurement reforms. Other challenges include absence of central management body with technical know-how and well experienced to develop a comprehensive public procurement policy and programme.

In 2003, Ghana public procurement Act was enacted to fight against and overcome the challenges in the procurement system. This act “provided a comprehensive framework for developing and strengthening procurement institutions and operational processes in

the context of poverty reduction, private sector development, good governance and anti-corruption (Ghana Trust Law). The current Public Procurement Act is supported with the standard tender documents. There are some measures in the act to regulate efficient procurement system. But are these measures working in the system? What has resulted in numerous problems in the system? The major aim of the public procurement act was to promote efficient procurement system to enhance economic development of the nation, and also promote international standard and foster healthy competition, efficiency, transparency, effectiveness and accountability in the procurement system.

2.5 Structure of the Public Procurement Act of Ghana

Kumaraswamy (2006) noted that Public Procurement Authority in an effort to promote transparency, efficiency, and fairness in the system has established five basic principles of the public procurement. These principles include comprehensive transparent legal and institutional system; clearly defined and standardized procurement procedure and standard tender document; independent control system, proficient and qualified procurement staff as well as anti-corruption measures.

The legal and regulatory framework specifies that the PPA established the public procurement board as a legal corporate entity. This legal corporate entity includes the ministries, departments, agencies and all other parastatal institutions that utilize public fund. Among these institutions there is a tender committee that is responsible for controlling and managing the bidding, and awarding of contracts.

Eyra (2012) noted that “the procedures and documentation stipulates that procedures must be followed for the sizing of tender packages, soliciting and evaluation of tender and for the award of contracts. This procedure states that all the contracts must be

tendered on an open competitive basis, meaning that all contracts must be out there for every business entity to take advantage of unless otherwise stated in the Act”.

The Public Procurement Authority is a corporate body created under the act 663, 2003 to make the processes of public procurement in the public service secure a judicious, economic and efficient use of state resources. It also guarantees that procurement activities are carried out fairly, and in a transparent and non-discriminatory manner” (Public Procurement Act, 2003). Thus Ghana has numerous methods of procurement; these include national competitive tendering, International competitive tendering, two-stage tendering, the single-source procurement, request for quotations and a newly introduced low value and minor procurement. These methods may be applied depending on the kind of situation and the threshold involved in the procurement product.

According to the Public Procurement Act (2003) the competitive tendering deals with the use of standard tender documents to come out with tender documents inviting procuring entities to bid for public procurement opportunities. Whenever there are new opportunities they are mostly advertised to ensure transparency in all the process.

The procurement of consultancy services are mostly done through the request for proposal and involved a two-stage approach when financial threshold is above what is stated in schedule 3 of the Act 663.

Stage 1-seeking the expression of interest

Stage 2-Formal request for proposal

This can also be done by using restricted tendering or sole sourcing procedures to obtain submitted proposal from pre-qualified consultants. The two-stage tendering approach

is only allowed when the optimal solution is not known and tenders are solicited to provide it.

Restricted Tendering is a method that is limited to only short-listed bidders. In this method the procuring entities go through the normal procedures with detailed invitation to tender documents. The tender documents are only available to only the short-listed suppliers with a minimum of three (3) and a maximum of six (6) and such system have to seek the Public Procurement Authority (PPA) for approval (Public Procurement Act, 2003).

Single Source procurement is a procurement method that is used to procure from supplier without any competition. This method is only applicable to emergency procurement or goods that can only be provided by a single supplier (Public Procurement Act, 2003).

Request for Quotations is also another method used by procuring entities to procure readily available technical services that cannot be provided on particular specialization by the procuring organizations (Public Procurement Act, 2003). Under the principle of procurement, the Public procurement Authority is charged with the duty to provide guidelines, provide training and capacities building to procurement officials, resolve conflicts arising from the procurement contracts, and assist the local industries to grow enough to compete in the supply of goods to the public sector. These five pillars further stated that there should be transparency and accountability in the procurement system to ensure healthy competition. By doing so, a data base for all the contractors, suppliers and consultants will be kept for reference.

2.6 Procurement Reforms in the Health Sector

An agency charged in January 2000 with all the public procurement activities was the Ghana Supply Company Limited (GSCL). However, due to lack of qualified personal, absence of proper procurement planning, lack of a proper database, and delay in the purchases of government subvention, some ministries decided to come out with their own rules to govern procurement. These measures were not successful; because there was no proper procedure to follow in their purchases. The government was therefore obliged to service the ministries. The adoption of different procurement procedures by the ministries provided difficulties to the government in providing separate procurement needs which resulted in inefficiency in the procurement system. From 1999, in an effort to resolve the anomalies in the procurement system the ministry of finance developed the procurement system.

The Ministry of Health (MOH) was the first ministry to resolve its procurement challenges in Ghana. The MOH adopted the system of decentralization in the procurement system; MOH had the notion that to ensure efficiency in the system they shifted all the responsibilities from the national level to the district levels that eased the burden of procurement activities. As Eyra (2012) noted the system of decentralization ensures that more responsibility was given to qualified personnel in the health sector and not those with little knowledge about health. This gave way to more opportunities for planning and execution. Eyra (2012) further noted that the system encountered numerous problems. Such problems identified in the system include unqualified personnel, lack of procurement procedures and organizations and inadequate strategy.

The MOH in collaboration with the World Bank came out with procurement unit in 1997 to combat these problems. They set up rules, actions, and standard document to

guide the procurement system. According to World Bank (1997) report the procurement guidelines and procedures of the MOH was a replication of rules issued by the World Bank.

2.7 Procurement Process

Carter & Kirby (2006:6) describes the process of procurement as the “overall sequence of events that sum up the purchasing activities from the identification of the need to payment of invoices in respect of goods or services purchased to satisfy a given need”.

Ermett & Crocker (2008:4) suggested that purchasing process deals with ten stages from need identification to payment of respective purchasing. This has been the case because most organization have emerged some stages to reduce the lead time in the system and other administrative cost. For instance, public organizations emerged expediting and evaluation as one stage. This clearly shows that there is no acceptable number of stages in the purchasing process (Mensah & Tuo, 2013).

Wan Lu (2007) noted that the procurement process consists of flow chart and blue print that describe a process in a pictorial format using symbols with lines connecting each operational step in the procurement process. However, Weele (2010) grouped the procurement procedure into six different stages such as product specifications, supplier selection, contract awarding and expedition and finally the evaluation and assessment of the procurement process.

Monczka et al. (2003) also added that the system is a circle with five different stages instead of the normal Weele's six stages. Several studies (Mensah & Tuo, 2013; Weele, 2010; Wan Lu, 2007) agreed that some of the stages are mostly not included in every purchase.

In the process of repeated order some of the stages will be omitted. For instance source identification and selection will be taken out if these source have been prequalified initially to assess their capabilities as is been done in some public institutions. Lysson & Gillingham (2003) and Weele (2010) introduced a modern way of conducting procurement activities using Electronic means (Electronic Procurement). According to these writers the lengthy process can be reduced through the use of electronic procurement in order to identify the activities in which purchasing process goes through, the process can be seen as a circle as discussed below;

2.7.1 Procurement Process Circle

All the procurement activities irrespective of their financial threshold follow a standard procedure, which is known as the procurement cycle. This circle deals with series of steps that must follow to supply a production line. The identification of items that must be purchased and determining the right quantities cover the first step. The information of the first step is used to create a requisition, which is therefore sent to the procurement department. The procuring entity requests bid and awards the contract to a vendor. When the purchased items arrived, the items are entered in the inventory system. The parameters for a procurement cycle are set depending on the financial threshold or based on the consumer demand or other factors in the procurement system.

Sunil & Meindl (2004) noted that the procurement circle starts from the manufacturer/supplier boundary and may include all the necessary conditions that ensure the availability of materials for manufacturing to occur according to the schedule. In the process of procurement circle, components are being ordered from suppliers that restock the component inventories. Similarly, the distributor and the manufacturer have the same relationship but one significant difference. While the

retailer/distributors orders are triggered by uncertainty in the consumer demands, component orders can be determined when the manufacturer has decided what the production schedule will be.

The component order depends on the production schedule. Thus if suppliers lead time are long, the supplier has to forecast and produce accordingly. Bailey (2005) is of the view that purchasing cycle does not recognize the strategic contribution by modern purchasing by showing only the tactical aspect of the function.

2.7.2 Procurement function

Most organizations and some part of the public entities involve purchasing department as part of their business activities. This functional department serves as the bedrock of most retail, military, manufacturing and other organizations (Alexis, 2013). Currently, purchasing function is part of the desk job, tedious paper work, dull and inactive and more of an administrative task. The most affected group in the organization was the purchasing department whose major task was to keep feeding shop floor and avoiding stock out situations. However, their current job has changed. Purchasing function is now part of the strategic business decision-making and plays a major role in the entire business activities. The profile of purchasing managers has changed and much is expected from them. The current day purchasing managers take decision of procurement at both strategic and operational level. They take much proactive decisions in building supplier network, estimating, controlling and reducing cost besides performing their daily routine functions and enhancing services level. Their major roles have become cross-functional with other functional areas like supply chain and manufacturing functions. KPMG (2012) reports indicates that the major functions are: to enhance efficiency and optimized management of the procurement processes, to

provide concrete analysis and provide relevant business information for management decision-making, to implement measures and to integrate other functional areas like suppliers, to control and manage vendor selection and evaluate and assess the systems, and to ensure efficiency and effectiveness in the procurement function.

In the business environment of public organizations, the purchasing function deals with detailed indenting process, budget management of procurement, purchases order release, schedule planning with suppliers coupled with ensuring compliance with the existing regulatory framework of procurement. Purchasing function is not only about buying of raw materials and other components but covers other fixed capital, construction works, spare parts purchases, managing rejections, faulty returns, warranty replacement process with sellers too. Another key function is the vendor development in procurement. Sourcing and vendor development are part of the skills developed by procurement officials. The purchasing functions are integrated with other functional areas like procurement, logistics and supply chain. Procurement professionals needs to be well-qualified and knowledgeable in the field of procurement activities like supply chain networks, the various agencies, knowledge of policy, customers rules, budgeting, taxation, commercial, logistical and customs documentation as well as knowledge of commercial trade rules and terms (KPMG, 2012).

Osei-Tutu et al. (2011) argued that the means of ensuring efficiency, effectiveness, transparency and accountability in the procurement system are the major priority of most government and international organizations. The performance of procurement function is usually done through its effectiveness and efficiency of the public procurement system in achieving value for money. All procurement expenditure provided through official development assistance (ODA) requires the compliance to

existing rules and regulations of national procurement to meet international standard and operational intentions.

2.8 Electronic Procurement

Due to advancement in technology, business entities have been involving IT system in the procurement process. This is a means of streamlining and automating their purchasing and other processes; current competitive business environment have recorded IT system as a means of enhancing the purchasing process (Kishor, 2006).

Oslomobekov et al. (2002) noted that an electronic commerce tool ensures two major elements of the procurement processes: Communication and Transaction aspects. Studies have shown that the E-commerce tools and IT solutions have an influence on procurement related processes. Most organizations have achieved:

- Reduction in cost of purchases (Radovilsky & Hedge, 2004; Subramanian & Shaw, 2002)
- Reduction in the lead time (Davila et al., 2003; Radovilsky & Hedge, 2004).
- Reduction in number of suppliers (Davila et al., 2003)
- Increasing in the number of goods supplied by the main suppliers (Muffatto & Paya, 2004)
- Inventory Savings (Subramaniam & Shaw, 2002)
- Reduction of purchasing prices (Davila et al., 2003)

With the exception of Croom & John (2003) who had the view that cost reduction, process compliance and customer satisfaction and retention can be achieve through an improvement in the customer services levels.

Most organizations have established a link with their suppliers, much closer than long-term cooperation. Organizations are ensuring improvement in the suppliers performance by exchanging staff, providing training and education, IT tools and performance evaluations. The major role in business relations provides communication in two-ways: cross-functional terms and larger procurement power. These ways according to Humpreys et al. (2004) suppliers' development is correlated with buyer-supplier performance improvement. Carr & Person (1999) noted that there is a link between supplier-buyer relationship and firms' financial performance. They further noted that organizations may achieve competitive advantages in the long-term relationship than the short-term.

2.9 Evaluation of procurement process

According to Van Weele (2002) procurement performance is a measure of the effectiveness and efficiency of the procurement function to achieve its stated objectives. He noted that there are two aspect of the procurement performance: effectiveness and efficiency. Van Weele (2002) defined procurement effectiveness as the extent to which the previous stated goals and objectives are being met. It refers to the relationship between actual and planned performance of any human activity. He further explains that procurement efficiency is the relationship between the planned and actual required realizing the established goals and objectives and their related activities, referring to the planned and actual costs.

The effectiveness and efficiency in the procurement practices is essential to management of organizations in the process of evaluating the performance of the procurement system. It is very important in evaluating the procurement process, identifying its weakness or problems and coming out with measures to resolve such

problems. In Ghana, public procurement is required by law Act 663, (2003) to conduct formal procurement evaluation or audit to assess its performance.

2.9.1 Key Performance Indicators of Purchasing Process

Definition of Key Performance Indicators

Oliver (2009) defined KPI as selected performance indicators that are applied in measuring the performance of the process or function. They also serve as a tool in identifying problems and solution to improve the performance of the purchasing functions. Thus KPI are measurement or metrics that will help in assessing the performance of purchasing to its customers.

Axelsson & Laage-Hellman (1991) noted the proper way to improve procurement system is through target setting and measurement of performance. They further noted that to achieve this there are Key performance indicators to follow: these are divided into seven categories:

- Activity related KPIs
- Quality related KPIs
- Inventory related KPIs
- Price KPIs
- Delivery PKIs
- Savings KPIs
- Others

Axelsson & Laage-Hellman (1991) came out with a large number of KPIs within the categories provided above. Van Weele (2005) provided two key measure of purchasing performance: purchasing effectiveness and purchasing efficiency. He further noted that

the purchasing effectiveness measures the previous accomplishment of task while the purchasing efficiency measures the resources used for such accomplishment.

Based on the above measure Van Weele (2005) provided four dimensions: Cost/price, product/quality, logistics, and organization. He further noted that the larger KPIs are mostly applicable to most industries and these KPIs are organized to measure the performance of the procurement system.

2.9.2 Relationship between Procurement Process and Performance

Weele (2010) & Monnczka et al. (2002) had the view that purchasing processes are sequences of activities that procurement agents conduct in buying products to support the organization operations.

Performance of purchasing is the direct or indirect output of the processes based on the set objectives and goals of purchasing and overall expectation and satisfaction of customers (Sollish & Semenik, 2007). The processes start from need identification to payment and review of the entire process (Erment & Crocker, 2008; Burt et al., 2006). The processes have direct impact on the performance target set. If the processes are very rigid and quite difficult to amend to respond to changes in customers' requirements; customers will never be satisfied with the kind of services the function will perform. The Public Procurement Act of Ghana 663, (2003), has stipulated prescribed processes a particular amount budgeted for should follow already determined sub-processes in buying a product. These processes will determine the lead time, quality and delivery time and product availability rate which are the key performance of procurement function. For any organization to change its previous aim and to become competitive, Amaratunga & Baldry (2002) suggest that performance measurement is a means of enhancing quality of service and avoids inappropriate means

of hindrance to change and malfunction of the procurement function. However, most developing nations are facing difficulties of compliance to procurement requirements. These changes are exerting pressure on how the purchasing function performs its internal and external processes and procedures to achieve value for money.

Procurement performances ensure effective control and effective use of resources that shows the effectiveness of procurement function. Most organizations have no performance measures in place for assessing procurement efficiency and effectiveness. However, those who did measurement, many were qualitative statements rather than specific targets to achieve (Anvuur & Kunaraswamy, 2006).

Batenburg & Versendaal (2006) noted that advantages such as cost reduction, enhanced profitability, supplier reliability, quality improvement and competitive advantages are achieved through performance measurement of the procurement function.

2.10 Empirical Evidence

Nasri (2014) did a study on the procurement performance and operational efficiency in Telecommunication industry in Kenya. Using descriptive cross sectional survey design, it was revealed that flexibility, cost, time and quality ensured procurement performance to a great extent. The study therefore concluded that an increase in maximized resource utilization would lead to an increase in the scores of the procurement performance. Therefore telecommunication companies should introduced strict internal controls suitable for streamlining in its procurement function.

Asamoah (2014) did a study on the accountability and control in the public procurement of Ghana Cocoa Board. The study found out that Ghana Cocoa Board is abreast of the public procurement laws, rules and regulations. COCOBOD keeps upto-date records in

paper and electronic form and almost all the procurement staff has been actively involved in procurement administration. COCOBOD also have well trained professionals who occupy various positions and with their long years of services manning the affairs of the procurement entity and there is a clear separation of roles and responsibilities and all the staffs in charge of procurement process are responsible for their actions and inactions.

A similar study by Mensah & Tuo (2013) on procurement processes and its operational performance of the public sector in Ghana. The study revealed that procurement processes is very key in the performance of organizations and these public institutions use the existing procurement rules and regulations in the purchases of materials. It was also revealed that purchasing process faced numerous difficulties. It was however, recommended that the government as well as public organization should be encouraged to use IT system in their procurement process to ensure fastness, reduce cost and easier purchases of materials.

Bashuna (2013) did a study on the factors affecting the effective management of the procurement function in Nakuru North Sub Country. The study was based on census of procurement heads of 30 ministries and departments. It was revealed that the procurement function was less effective due to lack of project financing, accountability, IT adoption, and the internal control system used in the departments. It was therefore recommended that the government should consider improving the existing procurement policy to enhance project financing adequacy and timeliness.

Kiragu (2012) assessed the impact of IT on the purchasing processes in Kenya. It emerged from the study that the procurement professionals ability to use IT in the procurement process depends on the integration of the various functional departments

in maintaining data which are flexible enough to handle all different kinds of purchasing routines an organization usually has in place.

Ngugi & Mugo (2012) did a study on the internal factors affecting purchasing process in the public sector of Kenya. The study revealed that ICT adoption, accountability, and procurement ethics affects purchasing functions of health care to a greater extent. The study therefore recommended that there should be proper control system to reduce the administrative bottlenecks like corruption.

Similarly, Ntayi (2011) examined the correlation between procurement process and supply chain performance of Uganda's Small and Medium scale enterprises. It was discovered that the relationship between procurement practices and supply chain performance was significant. This revealed that policymakers as well as owners and management of small scale enterprises should put in place measures to ensure professionalism in the supply chain performance in terms of customer satisfaction, deliveries, flexibility and timely manner.

Nantege (2011) also studied the impact of procurement management on the financial performance of banks in Uganda. The study revealed that procurement management function such as planning; control and monitoring positively affect the performance of banks.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter covers the methodology used for this study. It therefore covers areas like the study design, study area, the target population, sample and sampling techniques, data collection instrument, data analysis method and ethical considerations.

3.2 Research design

The study employed a quantitative method approach. According to Stange et al. (2006) the method involves the use of questionnaire to create new knowledge and such involvement can be concurrent or sequential use of quantitative method to follow a line of inquiry. Creswell and Clark (2011) noted the method employed quantitative data collection and analysis in this study, so that the researcher may best understand the procurement process and its operational performance in the public sector of Ghana. The main advantage of using such method is that triangulation is enhanced, of which Rocco et al (2003) asserted is the confirmation of the results of the study that will increase the validity and achieve greater in-depth of knowledge of the phenomenon under study.

3.3 Population of the study

The target population for this study comprises of procurement professionals and other management staff of Kumasi South Hospital.

3.4 Sampling technique and Sample size

Purposive sample was employed to select the participant for the study. This method is also known as judgmental sampling that is a deliberate choice of participant due to qualities the participants possesses. In this study purposive rather than random sampling technique was used because random does not provide a controlled environment to select key informants. The researcher decides on the kind of decision and set out the kind of

participant to provide information by virtue of their knowledge and experience (Bernard, 2002; Lewis & Sheppard, 2006). With this method, the respondents are observant, active members of the study setting and who are willing to share their knowledge of the subject of the study (Bernard, 2002; Tongco, 2007)

The researcher purposefully sampled 65 Procurement and Supply Chain professionals, user departments and management staff of Kumasi South Hospital since they are directly involved in the procurement process in the institution and are able to give accurate and relevant information than any other staff of the institution.

3.5 Data Collection Method

Data collection is very critical in this research, as the information helps in the understanding of the theoretical framework of the study (Bernard, 2002). Therefore, according to Bernard et al. (1986) the selection of the method in which data will be collected be done with great coercion and sound judgment, since improper data collection can affect the analysis.

The researcher used two sources of data; thus primary and secondary source. The primary data was collected through a well-structured questionnaire and interviews. Sanders (2007) noted questionnaire is used for explaining research which enables the study to critically assess the relationship between variables, in particular cause-effect relationship. Then the questionnaire was pilot tested with three similarly situated respondents within the Kumasi Metropolis. As a result of the pilot test, minor changes in the structure of the questionnaire and word selections were made to the questionnaire.

The secondary source was used to supplement the primary data. The secondary data was collected from the existing document. These documents include the purchase order,

internal purchase regulation and the comparative analysis documents. These documents are used because it forms most valuable part of triangulation.

3.6 Data Analysis Method

In this study, the data analysis involved quantitative analysis. The data collected by the use of questionnaire was first edited and thoroughly checked for completion. The edited data was coded in Statistical Package for Social Science for the analysis. Descriptive statistic especially, frequencies, percentages were used to help the researcher understands the trend, patterns and relationship and makes easier interpretation of the study. This was then presented in the form of pie-chart, and bar chart for easy understanding. The quantitative data in the form of questionnaire was transcribed to give the researcher an in-depth understanding of the subject of the study.

3.7 Ethical Consideration

In line with McNiff (2004) cited by Gibbs and Costley (2006) a sensitive approach has been adopted against interview participants. This has been done to ensure effective cooperation between the researcher and the respondents. Some of the ethical considerations in the study include;

The results of the questionnaire are strictly confidential though the results are published in the course of the study. Thus there is no reference given about the respective names of the respondents in the study report.

Secondly, the interview will not be recorded by audiotape uneasy dissemination of the information on the part of the participants.

Finally, the participation in the study is voluntary and no one will be prejudiced for failing to participate.

An informed consent form showing the purpose of the study and acceptance of participation was distributed to each participant before administration exercise.

3.8 Profile of Organization

Kumasi South hospital is located at Kyirapatre in Kumasi, Ghana. The company is working in hospital business activities. Since the establishment of the hospital the population of Kyirapatre and Ashanti Region had increased more than 10 folds. With the vision of the hospital to become a world class health care organization in terms of medical and nursing care.

The hospital had undergone a long transformation and expansion from time of its establishment and has been upgraded to the status of regional hospital with the state of the art medical equipment and diagnostic facilities with a workforce of about 1250, including medics and paramedic staff.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION OF RESULTS

4.1 Introduction

This chapter covers the analysis and the interpretation of the responses from administered questionnaire of the study. The chapter therefore provides a detailed response of the data administered in the study.

4.2 Demographic Information of Respondents

Table 1: The Demographic Information of Respondents

ATTRIBUTES	FREQUENCY	PERCENTAGES
<i>Gender of Respondents</i>		
Male	40	61.5
Female	25	38.5
<i>Age of Respondent</i> Under		
25 years	9	13.8
25-34	14	21.5
35-44	30	46.2
45-54	8	12.3
55+	4	6.2
<i>Level of Education</i> High		
school graduate	5	7.7
HND/Diploma	9	13.8
1 st degree/professional	35	53.8
Post-graduate	12	18.5
Others	4	6.2
<i>Number of years worked with the institution</i>		
>5	11	19.9
6-10	25	38.5
11-15	16	24.6
15 +	12	18.5

Source: field data, 2015

Table 1 illustrates that more than half of the respondents were males(61.5%), while 38.5% of them were females. Majority of the respondents (46.2%) were between the ages of 35-44 years, 21.5% of the participants were between ages of 25-34 years, 13.8% of the respondents were below 25 years, 12.3% were between the ages of 45-54, and only few of the respondents (6.2%) were above 55 years. This shows that the Kumasi South Hospital has an active employee population. More than half of the respondents (53.8%) have had 1st degree and professional qualification, 13.8% of the respondents have had HND/Diploma certificates, 18.5% have had post-graduate certificates and only few (6.2%) have had other certificates like O and A level respectively. On the issue of number of years being worked in the hospital, 38.5% of

the respondents have worked for between the periods of 6-10 years, 24.6% of the respondents have worked for between the period 11-15 years, and 19% had worked for below 5 years while 18.5% of them have worked for above 15 years. This shows that in terms of experience majority of the workers are experienced workers as they have worked for more than 5 years and over.

4.3 Public Procurement Process of Kumasi South Hospital

This section deals with the procurement practices of Kumasi South Hospital. These are analyzed below:

Membership of the Entity Tender Committee

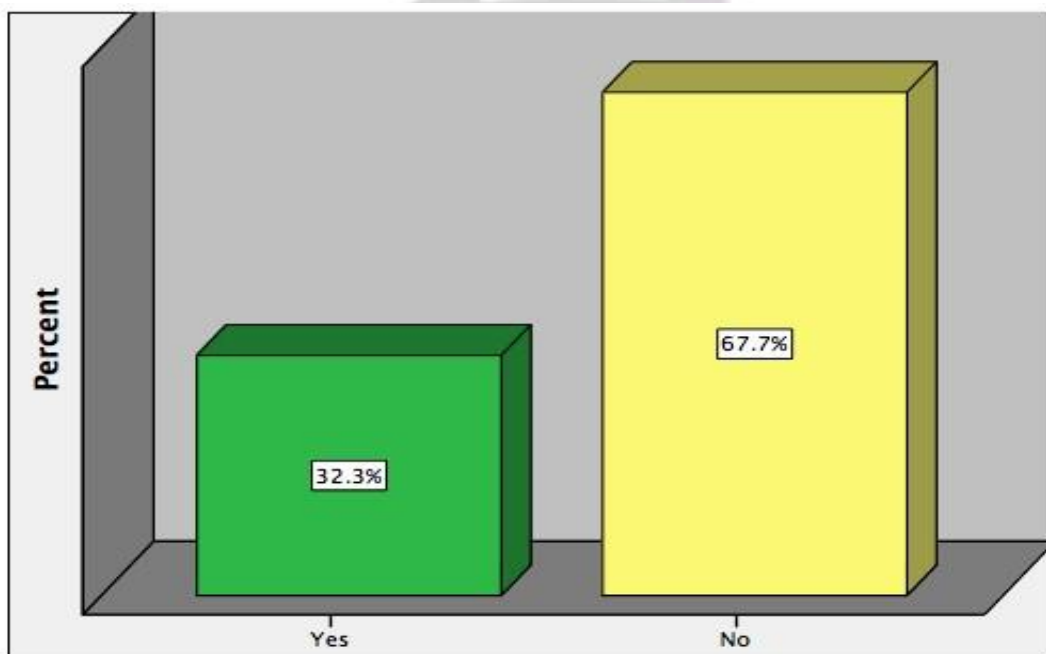


Figure 4.1

Source: Field Data, 2015

From figure 1, significant majority of the respondents (67.7%) are not involved in the tender committee, 32.3% of the respondents indicated that they were part of the tender

committee. This shows that on the issues of contract evaluation only few of the participants are involved in the process at the hospital.

Role in Decision-Making within the organization

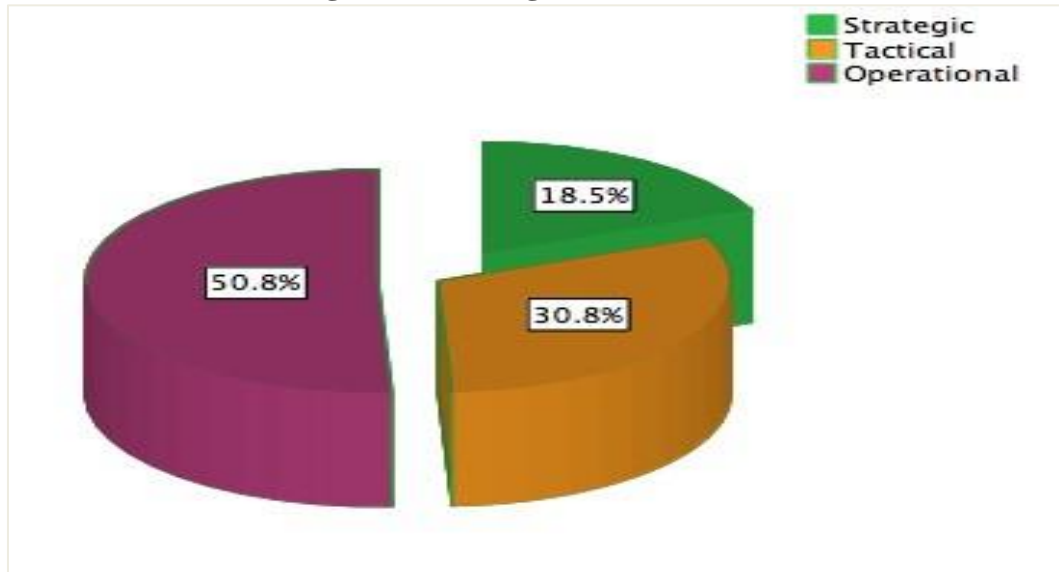


Figure 4.2

Source: Field Data, 2015

From the figure 2, majority of the respondents (50.8%) are involved in the operational level decision-making, 30.8% of the respondents set the organizational framework to reach its goal whiles 18.5% of the respondents provide direction and goals of the Kumasi South Hospital. This indicates that respondents are implementers of the policies and programmes of the hospital and is therefore difficult to take decision on procurement if the process is not being utilized effectively.

Public Procurement Process

Statement	Strongly Agree	Agree	Neutral	Strongly Disagree	Disagree	Mean	St. dev
The selection of the supplier is influenced by politicians and external players	27(41.5%)	25(38.5%)	6(9.2%)	5(7.7%)	2(3.1%)	1.923	1.050
Open tendering is done transparently	3(4.6%)	4(6.2%)	9(13.8%)	32(49.2%)	17(26.2%)	3.862	1.028
Restricted tendering is never done in the hospital.	17(26.2%)	19(29.2%)	17(26.2%)	9(13.8%)	3(4.6%)	2.415	1.16
Bids evaluation is handled by competent members	15(23.1%)	15(23.1%)	11(16.9%)	14(21.5%)	10(15.4%)	2.83	1.41
Annual procurement plan is not prepared in good time	25(38.5%)	23(35.4%)	12(18.5%)	4(6.2%)	1(1.5%)	1.969	0.983
Tender committee is all inclusive	44(67.7%)	17(26.2%)	4(6.2%)	-	-	1.385	0.604
Emergency procurement is not common in the hospital.	21(32.3%)	22(33.8%)	13(20%)	7(10.8%)	2(3.1%)	2.18	1.10
Inspections of deliveries are not handled by inspection committee	25(38.5%)	23(35.4%)	10(15.4%)	10(15.4%)	6(9.2%)	2.00	1.03
All suppliers are promptly paid on delivery	2(3.1%)	1(1.5%)	12(18.5%)	34(52.3%)	16(24.6%)	3.93	0.882

Table 4.2

Source: Field data, 2015

Table 4, indicates a wide degree of variation in the extent to which the hospital practice particular aspect of the procurement, 75.4% of the respondents agreed that open tendering is not done transparently. 80% of the respondents agreed that the supplier selection is influenced by external forces. 93.9% of the respondents agreed that the tender committee is all inclusive whiles 66.1% of them agreed that emergency 44

procurement is not common in the hospital, however, most of the respondents (76.9%) disagreed that all suppliers are promptly paid on delivery. The study further revealed that the annual procurement plan preparation is still low indicated in figure 1 below:



Annual Procurement Planning

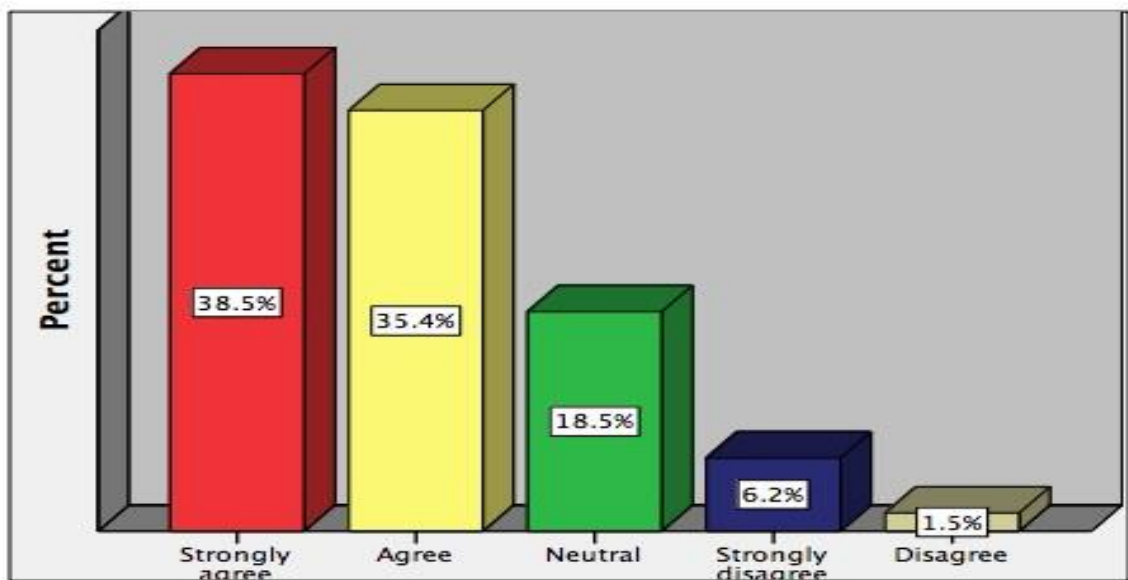


Figure 4.3

Source: Field data, 2015

From figure 3, more than half (73.9%) of the respondents agreed affirmatively that annual procurement plan is not well prepared in good time whiles 7.7% had a contrasting view that it is prepared in good times. However, 18.5% of them neither agreed nor disagreed. This clearly indicates that the inventory level at the hospital used to be low since the procurement plan is not done in good times.

4.2.3 The effect of procurement process on the performance of Kumasi South Hospital

This section analysed the effect of procurement process on the performance. It covers the extent of E-procurement utilization, its effect on procurement performance and finally the overall performance of efficient utilization of resources.

The extent of organizational utilization of electronic procurement facility The extent of organizational utilization of electronic procurement facility

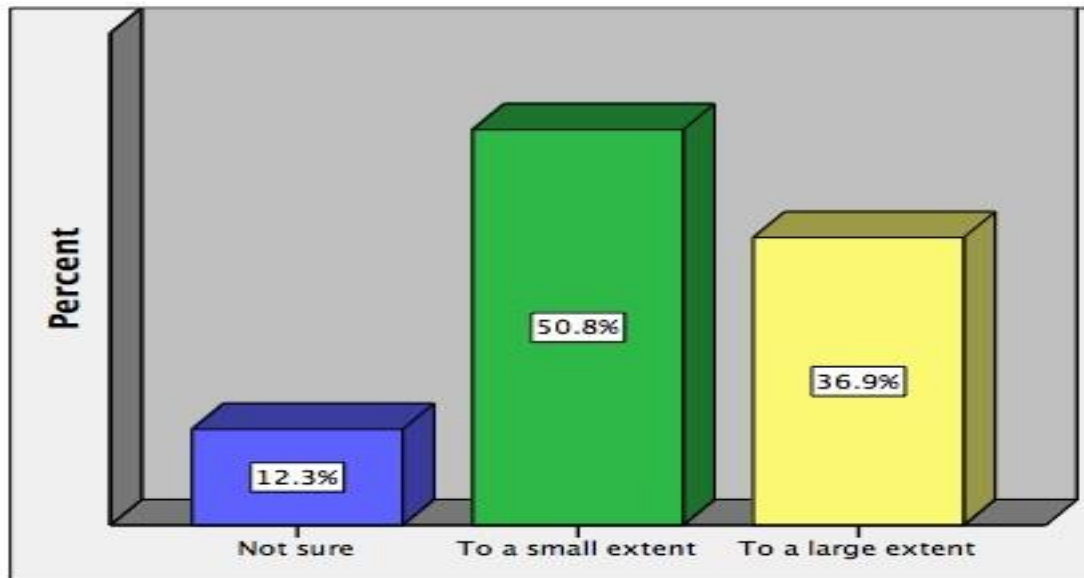


Figure 4.4

Source: Field data, 2015

Figure 4 shows the extent of electronic utilization in the procurement process, majority of the respondents indicated that the hospital utilized Electronic facility to small extent in their procurement process, 36.9% of them indicated the hospital utilized it in a large extent. Only 12.3% were not sure. This clearly shows that electronic is being utilized in the procurement process of the hospital. A further question was asked to examine the effect Electronic utilization have on the procurement process. This is seen below:

The Effect of E-procurement on Procurement Process

Statements	T	df	Sig. (2tailed)	Mean	Std. Deviation
E-procurement system on procurement leads to quality of goods/services purchased.	15.202	64	0.000	2.0000	1.06066

E-procurement system leads to less time in the process	13.460	64	0.000	1.8000	1.07819
E-procurement system makes the procurement process less costly	17.893	64	0.000	2.1692	0.97739

Table 4. 3

Source: Field data, 2015

Table 3: The t-test analysis shows that most of them strongly believed that Eprocurement system leads to quality of purchase ($t=15.202$, $p=0.000$) and less time of procurement process ($t=15.202$, $p=0.000$). When asked whether E-procurement is less costly most of them strongly agreed ($t=17.893$, $p=0.000$). This clearly shows that most of the participants really appreciate adoption of E-procurement in the system to shorten ordering cycles, a wider supplier base as a remedy to shorten ordering cycle, a wider adoption of “just-in-time” practices and availability of suppliers’ product list.

The extent to which procurement process ensures procurement performance in terms of Cost, Flexibility, Quality and Time.

Items	No extent	Little Extent	Moderate Extent	Great Extent	Very great Extent	Mean	Std. Deviation
Cost	2(3.1%)	3(4.6%)	13(20%)	28(43.1%)	19(29.2%)	3.91	0.9798
Time	14(21.5%)	13(20%)	23(35.4%)	23(35.4%)	15(23.1%)	3.600	1.072
-	-	3(4.6%)	13(20%)	31(47.7%)	18(27.7%)	3.984	
Flexibility	10(15.4%)	17(26.2%)	20(30.8%)	15(23.1%)	3(4.6%)	2.7538	

Table 4.4

Quality	0.8195
	1.118

Source: Field data, 2015

Table shows the extent to which procurement process ensures procurement performance in terms of cost, time, quality and flexibility. Most of the respondents agreed that to greater extent in terms of cost (mean=3.91, SD=0.978), time (mean=3.6, SD=1.072), quality (mean=3.984, SD=0.8195). However, in terms of flexibility majority of the respondents agreed that it affects it in a moderate extent with a mean value of 2.75 and SD of 1.118.

Effect of Procurement process on Overall Performance of the Hospital

Statement	t-value	df	Sig. (2tailed)	Mean	Std. Deviation
Resource utilization	29.414	64	.000	3.5846	0.98254
Reduced internal costs	24.501	64	.000	3.3846	1.11373
Labour productivity	31.694	64	.000	3.8615	0.98230

Table 4. 5

Source: Field data, 2015

The study sought to determine how the procurement process is efficient in terms of resources/equipment utilization, reduction in cost, and labour productively in the hospital. Based on the various degree of variation most of the respondents indicated that labour productivity influenced operational efficiency to a greater extent as indicated by a mean score of 3.86 and a Standard deviation (SD) of 0.1218, resource and equipment utilization also influenced the operational efficiency to a greater extent with a mean score of 3.58 and a SD of 0.98 and reduced cost influenced operational efficiency in the procurement process to a moderate extent as shown by a mean score of 3.38 and a standard deviation of 1.11. The t-values indicate that labour productivity (t=31.69), resource utilization (t=29.4) and reduced cost (t=24.5) are significant (p=0.000) in influencing the procurement efficiency. This clearly shows that

operational efficiency in the procurement process is mostly achieved by restructuring the hospital's core internal procurement process to ensure efficiency and costeffectiveness.

KNUST



4.2.4 The Challenges Faced by Kumasi South Hospital with regards to Procurement Processes

This subsection analysed the challenges faced by Kumasi South hospital with regards to procurement process of the organization. The analysis is seen below:

Responses on the Challenges Faced by Kumasi South Hospital with regards to Procurement Processes

Challenges	Frequency	Percentage
Bureaucracy	56	65.9
High administrative cost	45	52.9
Delay in payment	36	55.4
Delay in lead time	37	43.5
Lack of innovation	15	17.6

Table 4.6

Multiple responses was allowed

Source: Field data, 2015

Table 6 shows the challenges indicated by the participants in the procurement process of the hospital, more than half of the respondents (65.9%) indicated that bureaucracy and its related problems like corruption is a major problem as far as procurement process of the hospital is concern, 55.4% indicated delay in payment, 52.9% of the respondents also indicated high administrative cost in the procurement process, 43.5% of them indicated delay in lead-time while 17.6% indicated lack of innovation in the procurement process as a challenge for them.

Suggestions on how to Improve the Procurement System of Kumasi South Hospital

Suggestions	Frequency	Percentages
Establishment of good sourcing entities	24	36.9
Provision of good working relationship	32	49.2

Provision of proper procurement policies	45	69.2
Provision of internal satisfaction survey	12	18.5
Continual improvement on procurement processes	9	13.8

Table 4.7

Multiple responses were allowed

Source: Field data, 2015

Table 7 shows the suggestions geared towards improvement in the procurement performance of Kumasi South Hospital. Provision of proper procurement policies was given the greatest priority 69.2% followed by provision of good working relationship (49.2%), establishment of good sourcing entities follows by having 36.9% respondents, while provision of internal satisfaction survey and continual improvement on the procurement processes obtained 18.5% and 13.8% respectively.

4.3 Discussion of the Findings

Procurement Process of Kumasi South Hospital

It was discovered from the study that most of the respondents (67.7%) are not involved in the tendering process. This is a clear indication that few workers are involved in the evaluation of the tender documents at the hospital.

It emerged that more than half of the respondents (50.8%) take part in the operational decisions at the hospital. This indicates that the respondents are only implementers of policies and programmes of procurement at the hospital and is therefore difficult to take decision on procurement if the process is not being utilized effectively. As Asamoah (2014) noted there is a clear separation of roles and responsibilities and all the staffs in charge of procurement process are responsible for their actions and inactions.

It was revealed that the hospital practices some aspects of procurement such as tender request, tender opening, tender evaluation and inspection of delivery that conform to the existing procurement rules and regulations. This is an indication that the hospital practices some sequence of activities of procurement. This finding agrees to Weele (2010) and Monnczka et al. (2002) view that purchasing processes are sequences of activities that procurement agents conduct its activities in buying goods and services to support organizational operations. Similarly, Mensah&Tuo (2013) argue that

Procurement processes play a vital role in the performance of organizations and that institutions should rely or use the public procurement procedure in the purchase of materials.

Further analysis revealed that yearly procurement plan is not prepared in good times as indicated by 73.9% of the respondents. This therefore may affect inventory levels of the hospital and may not ensure performance of the procurement system. As Nantege (2011) noted procurement management (planning, control and monitoring) positively affects organizational performance.

The Effects of Procurement Process on the Performance at Kumasi South Hospital

It was discovered that electronic is being utilized in the procurement process of the hospital at a small extent (36.9%). This finding conforms to Lysson&Gillingham (2003) and Weele (2010) assertion that a modern way of conducting procurement activities is through the use of Electronic means (Electronic procurement). According to these writers the lengthy process can be reduced or shorten through the use of electronic procurement in order to identify the activities in which purchasing process go through.

A further analysis from t-test analysis shows that most of the respondents strongly believed that electronic procurement system would lead to quality of goods purchased ($t=15.202$, $p=0.000$) and less time of procurement process ($t=15.202$, $p=0.000$) and eprocurement makes the process less costly ($t=17.893$, $p=0.000$). This clearly shows that most of the respondents agreed that e-procurement can help to shorten ordering cycles, a wider supplier base as a remedy to shorten ordering cycle, enhance “just-intime” practices and ensures availability of suppliers product list. As Oslomobekov et al. (2002) noted IT involvement in the production process provides opportunity in terms of communication and transaction of the procurement process. Similar Ngugi&Mugo(2012) revealed that ICT adoption has significant effect on the procurement process of health care suppliers to a greater extent.

The study revealed that procurement process affect procurement performance in terms of cost (mean=3.91, SD=0.978), time (mean=3.6, SD=1.072), quality (mean=3.984, SD=0.8195). However, in terms of flexibility majority of the respondents agreed that it affects it in a moderate extent with a mean value of 2.75 and SD of 1.118. This is in line with Nasri (2014) findings that flexibility, cost, time and quality ensured procurement performance to a great extent. Similarly, Osei-Tutu et al. (2011) asserted that effectiveness and efficiency is a major means of measuring procurement performance at the hospital by ensuring value for money.

It emerged that labour productivity, resource/equipment utilization and reduced cost are significant ($p=0.000$) in influencing the procurement efficiency. This clearly shows that operational efficiency in the procurement process is often achieved by restructuring the hospital’s core procurement process in adopting continually changing market forces in the effective and less costly manner. This finding conforms to Van Weele (2002)

argument that procurement performance is a measure of identifying the extent to which the procurement function is able to reach the objectives and goals with minimum costs. He noted that there are two aspect of the procurement performance: effectiveness and efficiency. Similarly, Batenburg&Versendaal (2006) noted that reduced cost, enhanced profitability, reliable suppliers, quality of improvement and competitive advantages are the benefits of measuring procurement performance.

Challenges faced by Kumasi South Hospital with regards to Procurement Processes.

The study revealed that challenges such as bureaucracy and its related problems like corruption is a major problem as far as procurement process of the hospital is concern, delay in payment (55.4%), high administrative cost in the procurement process (52.9%), delay in lead-time (43.5%) affect the procurement process of the hospital. Mensah&Tuo (2013) notions that procurement processes are mostly challenged with difficulties. Amaratunga&Baldry (2002) further suggested that procurement performance is key in organizational performance, therefore any problem has to be resolved to achieve the benefits of procurement performance.

CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSIONS

5.1 Introduction

This chapter deals with the summary, and conclusions that the researchers had made in the light of the findings. It deals with the recommendations for implementation purpose.

5.2 Summary

The study sought to evaluate the procurement process and its operational performance of Kumasi South Hospital, using a mixed approach and purposive sampling technique

to sample 65 procurement and other management staff of Kumasi South hospital. The summary of the major findings include:

The public procurement process of Kumasi south hospital

From the study, most of the respondents (67.7%) are not part of the tender committee. It emerged that more than half of the respondents (50.8%) are implementers of policies of the hospitals.

It was revealed that the hospital practices some aspects of procurement such as request for tenders, tender evaluation, inspection of deliveries are in conformity with the existing rules and regulations.

Further analysis revealed the annual procurement plan is not prepared in good times as indicated by 73.9% of the respondents.

The effects of procurement process on the performance at Kumasi South Hospital

It was discovered that electronic is being utilized in the procurement process of the hospital at a small extent (36.9%).

T-test analysis shows that most of respondents strongly believed that E-procurement would improve quality in the products purchased ($t=15.202$, $p=0.000$) and less time of procurement process ($t=15.202$, $p=0.000$) and e-procurement makes the process less costly ($t=17.893$, $p=0.000$).

The study revealed that procurement process affect procurement performance in terms of cost (mean=3.91, SD=0.978), time (mean=3.6, SD=1.072), quality (mean=3.984, SD=0.8195). However, in terms of flexibility majority of the respondents agreed that it affects it in a moderate extent with a mean value of 2.75 and SD of 1.118.

It emerged that labour productivity, resource/equipment utilization and reduced cost are significant ($p=0.000$) in influencing the procurement efficiency.

Challenges faced by Kumasi South Hospital with regards to procurement processes

The study revealed that challenges such as bureaucracy and its related problems like corruption is a major problem as far as procurement process of the hospital is concerned, delay in payment (55.4%), high administrative cost in the procurement process (52.9%), delay in lead-time (43.5%) affect the procurement process of the hospital.

5.3 Conclusion

From the findings it was evident that the hospital's procurement procedures cut across the various dimensions of the procurement function such as tender opening, tender evaluation, contract management, been handled by competent staff of the hospital. It was however, seen that tender committee is composed of only the core departmental heads (the Medical Director, head of Administration, head of Nursing, head of Pharmacy, head of Clinical Care, Head of Finance, head of Supply Chain). Emergency procurement is not common at the hospital. Deliveries are not handled well by inspection team as well as all suppliers are not promptly paid on delivery. This shows that the hospital lacks some uniformity in the procurement system with reference to the existing procurement law.

From the study, resources, equipment utilization and reduced costs influenced the operational efficiency in the procurement function. This is only seen when the procurement system is well planned, and one can recognize those areas where it is out performing and can effect improvement to such areas.

It was realized that the activities of the procurement process ensures performance in the hospital as a whole, however, for an organization to attain operational efficiency in the procurement system such organization needs to adopt a system that minimizes redundancy, reduce cost and waste of resources that contributes to performance using the technical knowhow, workforce, quality, cost and flexible business process.

Though there have been a lot of advances in the provision of good procurement in the Kumasi South Hospital, still there are number of challenges which include: bureaucracy, high administrative cost, delay in lead time, delay in the payment system, and lack of innovation affect the successful story of the procurement systems in the hospital. These attributes show that internal users have low confidence in the procurement system. There is therefore the need for the hospital to put the necessary measures in place to address these challenges.

5.4 Recommendations

From the findings and conclusions drawn from the study, the following recommendations are provided for better performance in the procurement process of most organization. These recommendations include:

The policy makers as well as the government should provide a mechanism to ensure that contracts are made more effective. The accountability and the measurement of the organizational goals need to be considered in the procurement process of public organizations.

The study recommends that the hospital, the Public Procurement Authority as well as audit agencies should ensure a strict code of conduct to avoid fraud and bribery in the procurement system. In order to achieve this there should be strict internal controls to

ensure efficiency in the procurement system that follows a general pattern of procurement methods so that it facilitates easy audit trail to avoid corruption in the procurement process.

The study also recommended that the government and other policy makers should evaluate the existing procurement process to reduce the number of steps in the procurement procedures in order to reduce bureaucracy to meet public sector organizational needs. Bureaucracy delays procurement efficiency and affects operational performance of hospitals; hence, this review should be done so that hospitals will have some policies to streamline their operations.

The government and the National Insurance Authority as well as the Ministry of Finance should ensure prompt payment of the Insurance Claims submitted by hospitals and clinics so that suppliers, service providers and contractors can be paid on time so that procurement can achieve its objective of efficiency and effectiveness.

It is also recommended that E-procurement should be well-implemented in the Kumasi South hospital as well as other public institutions with a well-functioning E-procurement in an organized form of open communication which will therefore help procurement officials to utilize resources efficiently to cut-down cost and unnecessary expenses in the procurement process. It also has the attendant benefit of ensuring accountability and transparency in the procurement process through electronic publishing of the tender notices and contract awards, ensures accountability and reduces bureaucratic bottlenecks.

The hospital should establish a well-furnished procurement department with a qualified, skilled and knowledgeable personnel to manage the procurement operations in

order to restructure the existing weakness in the procurement process. Procurement management should do market capability analysis to assess the ability and capability of the market to meet its required goods and services in the right quantities and quality in the right timings.

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APPENDIX

UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF BUSINESS ADMINISTRATION

Dear Respondents,

The researcher is a student of school of business, pursuing a masters degree in business administration. This questionnaire is intended to evaluate the procurement process and its operational performance in the public sector of Ghana. A case study of The results are purely meant for academics purposes and will be treated with confidentiality. You are hereby requested to feel free to give the most appropriate answer. Please tick (✓) appropriately in the space provided and fills in where necessary. Thanks for your time and cooperation.

SECTION A: DEMOGRAPHIC INFORMATION

Gender: male () Female ()

Age: below 30 years () 31-40 years () 41-50 () 51 and above ()

Level of education: Diploma/HND () Bachelor's degree () post-graduate () Job

Title: Head of procurement Unit () Head stores () procurement officer () supply officer () procurement assistant () administrative manager ()

SECTION B: PROCUREMENT FUNCTION

To what extent do the following performance functions ensure procurement performance? Key use the scale of 1-5 where: **1=No extent, 2=little extent, 3=moderate extent, 4=great extent, 5=very great extent.**

	1	2	3	4	5
Cost					
Time					
Quality					
Flexibility					

Kindly rate your organization's procurement performance in the given factors.

	Very poor	Poor	Neither good nor poor	Good	Very good
Cost					
Time					
Quality					
Flexibility					

SECTION C: OPERATIONAL EFFICIENCY

Can the public sector purchasing process help in achieving high performance?

.....

To what extent do the given influence operational efficiency in the organization

	1	2	3	4	5
Resource utilization					
Reduced international costs					
Equipment utilization					
Labour productivity					

Does the efficient procurement processes ensures continuity of supply of materials in your organization? Strongly agreed () agreed () Neutral () strongly disagree () disagreed ()

What has being the reasons for the delay in the procurement lead time? Cumbersome nature of the procurement process () international administrative procedures () suppliers inability to supply on time ()

SECTION D: CHALLENGES

What are the challenges faced by public institutions with regards of purchasing process?

Bureaucracy () high administrative cost () delay in lead time () lack of innovation other specify ()

Does your organization use electronic procurement facility? Yes () No ()

What can be done to improve the procurement system of the organization?

.....

.....

.....

KNUST

Thank you for time and participation

