

# KAMPALA INTERNATIONAL UNIVERSITY

## FACULTY OF BUSINESS AND MANAGEMENT

### CONTRIBUTION OF THE PROCUREMENT DEPARTMENT TO ORGANISATIONS

#### CASE STUDY: MULAGO HOSPITAL

66%

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Despite numerous  
advice originality of  
review and analysis  
still lacking. Considerate  
has depended so much  
on future info  
from materials  
already prepared rather  
than review!

RESEARCH STUDY SUBMITTED IN POTENTIAL FULFILMENT OF THE  
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## DECLARATION

This is to declare that the content of this dissertation are as a result of my own study and findings. To the best of my knowledge, this work has never been submitted to any other university for any award.

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Date:.....9th . 05 . 2007 .

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## DEDICATION

This work is dedicated to my beloved parents Mr. George and Mrs. Milly Ongom, who sacrificed and took me to school.

## **ACKNOWLEDGEMENT**

This work owes its existence to many people who render assistance in different ways. My special thanks go to my supervisor, Mr. Matovu Godfrey of the department of Supplies and Procurement Management, whose guidance and knowledge helped me a lot to accomplish it. The supervision was so challenging and it provoked analytical thinking.

Special thanks also go my very special dad and mum, who provided the financial assistance, guidance and tender loving care towards my undergraduate study. I am very grateful, may the lord always bless them.

My gratitude also goes to my brothers Omara Cyrus and Abila Martin for the courage and guidance they gave me particularly in my data analysis, and computer work during the study.

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## **ABSTRACT**

The study aimed at finding out how the procurement departments contribute to the success of organisations in terms of quality management, cost rationalisation and timely procurement/ delivery. A case study of Mulago Hospital was taken, where response was drawn from three main departments namely; the User departments (Medical, Administration, Accounts and Finance), then the Procurement department itself. The respondents from all departments included; Doctors, Accountants, Nurses, Paramedics, Administrators and Procurement Officers all totalling to 30.

The Procurement department is important in the success of any organisation. It performs the functions of procurement and storage, by making sure that quality, cost and timely delivery is achieved as the basis of the hospital's performance.

In data collection, questionnaires and interview guides were used. Data analysis of qualitative information was made using content analysis.

The finding of the study was that the three concepts of quality, time and cost were used in the procuring process, resulting in efficiency and effectiveness in the procurement of goods and services at the hospital. Much as the study was successful in its finding, the Procurement department indicated a problem of delayed, or even sometimes, unreliable funding.

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## ABBREVIATIONS/ ACRONYMS

PD.....	Procurement Department
UD.....	User Departments
PU.....	Procurement Unit
SU.....	Stores Unit
DU.....	Distribution Unit
SCM.....	Supply Chain Management
MM.....	Materials Management
TQM.....	Total Quality management
JIT.....	Just-In-Time Concepts
CLM.....	Council of Logistics Management
ERPI.....	Enterprise Resource Planning
ERP II.....	Enterprise Requirement Planning
LP.....	Lean Supply

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Back ground of the Study**

Procurement is an organisation function, which involves specification development, value analysis, supplier market research, negotiations, buying activities, contract administration, inventory control, such as receiving and stores management.

It advocates for the best purchasing practices such as obtaining the right quality, right quantity, right sourcing, at the right price, at the right place, and at the right time (6R). All these focus on organisational effectiveness and efficiency.

According to Project Management Institute (PMI 2000), a non- profit making organisation based in the USA, procurement involves the processes required to acquire goods and services to attain the project scope, outside the performing organisation. Or it's the entire process by which all classes of resources are obtained generally for a purpose of project. The process culminates into a contract between the buyer and seller. The seller provides the goods and services required by the buyer (Vender, Supplier or Contractor).

According to Lyson (2000), procurement is an act of obtaining something in any way including force or pillage. Purchasing on the other hand is the function responsible for the obtaining, which may involves leasing, hiring, or other legal means, of equipments, materials, supplies and services required by an undertaking for use in production or resale.

Therefore, from all the above definitions we can see that, they all involve one common concept of obtaining, implying that, procurement is basically concerned with the attainment of materials and resources for organisations, however, in an ethical way, which addresses the concepts of the right quality, right price, right time and from the right source.

The increasing mismanagement of funds and other resources in the process of attaining the right materials, and resources for organisations has led to the growing advocacy towards the institutionalisation of the procurement department in various organisations. The need to ensure the (6Rs) has seen procurement a leading priority in many public and private organisations. For instance, in Uganda the government has even come up with the law governing all public institution procurements. The law is known as the Public Procurement and Disposal of Public Assets Act (PPDA), whose purpose is to monitor and ensure better procurement activities in public institutions.

Therefore, the contribution of the procurement to organisations can be viewed in various perspectives. Mulago Hospital has been taken as the case study, since it undertakes various procurement items such as the purchasing resources, drugs, medical equipments, vehicles and others; to show the significance of the procurement in organisations.

### **1.2 Statement of the Problem**

As already stated, the Procurement department is a very crucial department in any organisation because it is responsible for the management of the largest proportions its financial resources. There has been various complains about the misuse of funds in organisations, for instance in the 2004 the Uganda People Defence Force (UPDF) lost billions of shilling in the procurement of outdated choppers. Many institutions also complain of poor supplies of materials and resources due to the lack of fully established procurement departments in them.

Long ago, the procurement departments were taken as inferior in organisations inspite of the fact that a bigger portion of the organisations resources are devoted to procurement, an activity that greatly determines the cost saving factor of an organisation.

### **1.3 Objectives of the Study**

These are divided into General objectives and Specific objective as elaborated below:

### **1.3.1 General Objective**

The general objective of the study was to find out the contributions of the procurement department, inspite of its continued neglect by various organisations, especially in developing countries.

### **1.3.2 Specific Objectives**

The specific objectives of the study were to:

- Asses the level of quality management
- Determine the rate of timely procurement and delivery
- Evaluate the cost rationalisation concept in a typical public institution like Mulago hospital.

## **1.4 The scope of the Study**

The study examined the procurement methods used at Mulago Hospital to determine whether these have benefited the institution in terms of quality management, cost rationalisation, timely procurement and delivery rate of goods and services required. It also paid attention to different variables involved in the procurement process; such as:

- The methods of procurement used
- The supply chain management (SCM)
- The logistic management concept
- The material management concept

### **1.4.1 Content**

The study examined the level of institutionalisation of the procurement department and determined its contribution to organisations in terms of quality, cost and timely procurement/ delivery.

### **1.4.2 Location**

The study was conducted at Mulago hospital as the main case study area. The hospital was chosen because it undertakes a variety of procurement activities, ranging from minor to large procurements of materials, drugs and equipments. This made it

possible for me to understand the contribution of the procurement department in relation to quality, cost, and timely procurement/ delivery.

Data was also detained from the external environment, such as libraries, International magazines, Newspaper articles and journals, among others.

### **1.4.3 Time**

The study covered a period of four month (one semester), this is because, it is the maximum period required from a student by the university and it was also the remaining period for me to wind up my course. Data collection within the organisation, took a period of one month, while from other sources like, academic journals, newspaper articles, and other related information took the rest of the allocated time.

### **1.5 Significance of the Study**

The study will enable academicians, administrators and policy makers to understand the contributions of the procurement department in the achievement of quality, cost, and time management. The study will also be a guide to policy makers in financial allocations for procurements. It will enable managers to understand the need to put in place effective logistics and inventory control measures.

### **1.6 Definitions**

The commonly used terms in procurement are mentioned and defined below:

#### **1.6.1 Procurement**

Procurement is an organisational activity that involves purchasing, supply chain management, logistics, value analysis, standardisation, and storage among others. Or according to Waltery (1996), procurement is mainly concerned with moving materials supplies into the organization

#### **1.6.2 Procurement Department**

It is that department which handles the various Procurement activities.



### **1.6.3 Tendering Process**

This is one of the procurement methods used. It involves the use of competitive bidding in the procurement process.

### **1.6.4 Supply Chain Management**

Supply chain is a life cycle process comprising the physical, information, financial and knowledge flows, whose purpose is to satisfy end-user requirement with products and services from multiple linked suppliers. (James Ayers)

### **1.6.5 Logistics Management**

The Council of Logistics Management (CLM 1998) define logistics as:

That part of supply chain process that plans, implements and controls the efficient flow and storage of goods, services, and related information's from the point of origin to the point of consumption in order to meet customer's requirements

### **1.6.6 Materials Management**

It describes the integration of all activities involved in the Procurement Department. Material management in organisations is represented by the use of networks and telecommunication, which are used in the monitoring of all operations of the organisation.

### **1.6.6 Physical Distributions**

This is concerned with moving finished items that includes assortments, and codifications of the store items to the User Departments. Distribution is sometimes described as giving the final link in the supply circle.

### **1.6.7 Physical Supply**

Basically, inbound logistics which involves the bringing of materials into the organisation.

### **1.6.8 Lean**

This is a process by which wastes (unnecessary process, items and procedures) are eliminated through the procurement process. This concept normally works hand in hand with the just in time concept (JIT).

### **1.6.9 Cost rationalisation**

This represents the effective use of money meant for procurement, by realising the most optimum quality and quantity at the most least cost possible.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

Procurement is a very crucial activity for every given organisation. It determines what type of product/ items an organisation shall deliver to its clients or customers in terms of quality, price and cost. The primary purpose of the Procurement Department is to ensure procurement and delivery of these products and services at the right cost/price, right quality and at the right time, which activities, if performed efficiently and effectively, lead to the success of an organisation.

Procurement is an organisational activity that involves purchasing, supply chain management, logistics, value analysis, standardisation, and storage; among others. However, other scholars have defined the terms procurement as follows:

According to Project Management Institute (PMI 2000), a non- profit making organisation based in the USA, 'Procurement involves the processes required to acquire goods and services to attain the project scope, outside the performing organisation. Or it's the entire process by which all classes of resources are obtained generally for a purpose of project. The process culminates into a contract between the buyer and seller. The seller provides the goods and services required by the buyer (vender, supplier or contractor)'.

According to Lyson (2000), 'Procurement is an act of obtaining something in any way including force or pillage. Purchasing on the other hand is the function responsible for the obtaining, which may involve leasing, hiring, or other legal means, of equipments, materials, supplies and services required by an undertaking for use in production or resale'.

Therefore, from all the above definition we can see that, they all involve one common concept of obtaining, implying that, procurement is basically concerned with the attainment of materials and resource maintenance until the final delivery of a product

or service to the final consumer, however in an ethical way which addresses the customers interest in terms of the right quality, right price, right time and from the right source.

This chapter also discusses the variables of total quality management (TQM), cost rationalisation and timely procurement/ delivery, including the methods of procurements, supply chain management, logistics management and material management concepts as fundamental roles of the procurement department.

## **2.2 THE ROLES OF THE PROCUREMENT DEPARTMENT**

These are basically three namely: quality management, cost rationalisation and timely procurement/ delivery. These are the variables that act as attribute to the success of any organisation, if well done; it implies that the organisation will perform efficiently and effectively.

They are further discussed as follows:

### **2.2.1 Total Quality Management (TQM)**

This is the degree of Excellency in the Procurement and delivery of products and services that satisfies/ fulfils customer desires. The primary objective of most organisations is the ability to satisfy their Customers to gain the most competitive position in the market, so that clients may find it hard to go elsewhere for the some service or product. In medical organisations, like Mulago, the level of service delivery demonstrates the efficiency and effectiveness of the medical staff. However, all this is a function of the Procurement Department in making purchases at the right time as required by the staff in order to enable them also perform as required of them.

The importance of procurement shall be later extensively examined in this chapter in regards to total quality management by the procurement department and how it contributes to the organisational success.

#### **2.2.1.1 Standardisation**

Total Quality Management can also be achieved through adherence to the set standards, such as those set by the ISO 9000. This is where a general quality of a product or service is accepted internationally in terms of its description and composer.

Standards are specified into quality, design, simplicity of a product, service or an item. Therefore, the procurement of standardised items and service minimises the use of low quality items.

The study shows that, ISO 9000 is a global indicator of high level of quality standards normally rubber-stamped so that they are internationally accepted for human consumption. ISO 9000 is a Switzerland based international organization for standardization that grants the certification of companies for quality management and assurance in the production and supply of product. (Max and Brian Plowman 1993).

The management of quality standards in any organisation has been systematic and well developed through emphasised organs such as the Uganda Bureau of Standards (UBOS). The measurement of these standards was initially based on individual evaluation but later on changed to technological evaluation. The study also revealed that, before the institutionalisation of the procurement department, it was quite difficult for workers to effectively control quality using hand inspection. It was until a worldwide emphasis was made on the use of machines such as computers and software technology that it became easy to procure materials without the artisan personnel inspection as means of describing products and their quality.

### **2.2.2 Timely Procurement and Delivery**

This involves the management of time, from the point of procurement to the final user of the goods and services. The shorter the order cycle and lead time the more effective the procurement process to satisfy its customer. Strategic organisations, like hospitals, greatly consider the aspects of time management in terms of procurements and deliveries. That's to say a delay in the delivery of requirements lead to loss of many lives. The role of the procurement department must therefore, be viewed in respect as being very significant.

Time management also contributes to cost reduction, that is to say, the shorter the procurement cycle, the more the costs are reduced and the more profits obtained in the supply chain process of goods and services in the hospital or any other organisation as given below:

### **2.2.3 Cost Rationalisation**

This is a process of obtaining the value for money in the procurement of goods and services. The procurement methods in which this criterion has been best achieved in a given organisation included the competitive bidding process and negotiations; commonly applied in direct procurement method.

Cost rationalisation has also been attained through the implementation of lean in the supply chain management process. This is where all unnecessary processes in the procurement process are eliminated, such processes include aspects like prolonged queues, long lead time and order cycle time, dead and obsolete stock normally attributed by over trading. Therefore, the Procurement Departments ensures elimination or avoidance of such incidences which cause great loss in the supply chain process as discussed under section 2.9 of this review.

#### **2.2.3.1 Standardisation and Cost Saving**

Standardisation is also another way of cost rationalisation in various organisations. The ability to meet the international standards constitutes a prerequisite to the global competition. Voluntary ISO 9000 standards provides the 'license to compete' as some managers/ directors state it. Most chemical organisations such as hospitals, quality managers prefer standards set by ISO 9000.

The ISO 9000 method of cost rationalisation document processes to such a degree that if the organisation replaces all personnel in the local quality management concept, the process could continue with the same level of quality assurance, and finally direct savings in time and money accrue from the reduced frequency of individual customer audit and suppliers scrutiny in terms of quality hence cost saving. (David Hoyle 1998).

### **2.3 METHODS USED IN PROCUREMENT**

There are various methods used in procurement including the competitive bidding method, direct procurement, micro procurement, quotations and proposal methods among others. However, the most preferable method used in both large private and

public organisations is the competitive bidding method which entails: open domestic bidding, International bidding and restrictive method.

Competitive bidding method has been used to realise quality, cost and time management as follows:

### **2.3.1 The Competitive Bidding Method**

This includes open domestic and international bidding methods whereby opportunities are given to the Public through advertisement of the bid notice in at least one widely used newspaper (PPDA Act 2003).

Competitive bidding process sometimes is also known as the tendering process.

According to the PMI (2000) there are basically three major phases involved in the procurement process namely:

- Contract planning/ pre-award phase
- Contract formation/ award phase
- Contract management/ post-award phase

A contract may take the form of written, oral, inferential or any combination of the above duly signed and thereafter becomes a legal document between the procuring Unit and the vendor. The PMI (2000) further explained the phases involved in each phase of the tendering process as follows:

#### **2.3.1.1 The Contract Planning Phase**

This is the first stage in the tendering process. It is where manager come up with avenues by which they will best achieve an effective and efficient procurement process to enables them come up with rational decisions in regard to the procurement of quality goods and services.

#### **2.3.1.2 Procurement Planning**

Planning involves drafting of measure in which the organisation can best achieve its intents. It is a process that also involves the scrutiny, evaluation and assessment of the environment before the actual pursuit of the mission. Planning enables business men to come up with rational purchasing decisions, hence providing room for limited risks in investment. (Purchasing and Supply Chain Management)

### **2.3.1.3 Solicitation Planning**

This involves the preparation of documents to seek bids from prospective contractors of items. It involves coming up with measure in which the best contractor can be selected for the effectiveness of the procurement process.

### **2.3.1.4 Solicitation of Documents**

Solicitation of documents is a mandatory requirement by the Public Procurement Authority. It involves detailed description of all names and address of an organisation meant to provide authentication and selection of competent suppliers. In Uganda public institutions use some of the following (PPDA Act 2003) solicitation documents in the procurement process:

- Pre-qualification documents
- Standard bidding documents for suppliers
- Standard bidding documents for services
- Standard bidding documents for works
- Letter of acceptance
- Standard bidding documents for disposal
- Standard bidding documents for disposals by sale to public officers

### **2.3.1.5 Source Evaluation and Selection**

Before a procurement unit selects the prospective supplier, it must carry out an evaluation process among the prospective bidders, where the highest bidder is selected and finally awarded the contract. This selected bidder must conform to the standards and requirement of the organisation as pre-prescribed by the contracts committee of that particular organisation. However, managers should still note that, the evaluation and selection criteria must be transparent and open to all, as prescribed by act.

### **2.3.1.6 Selecting Evaluation Factors**

During solicitation and source selection process of procurement, evaluation factors to be used have to be considered. Interested bidders have to be aware of the criteria against which they will be assessed. These factors clearly reflect the procurement

entity's needs and like wise facilitate the preparation of bids. These factors are chosen from a multi-disciplinary criteria based on:

- The nature and complexity of the requirements to be procured.
- market research
- The nature and complexity of method of the procurement used
- And pervasive risk, among others

There are a number of selection criteria that are used to select the best bidder out of the many, these include: cost factors, past performance factors, non-cost factors, and best practices.

#### **2.3.1.7 Cost Factors**

These are also referred to as 'PRICE FACTORS'. Cost-related factors and consideration vary, depending on the type of the contract. However, reasonableness must be considered in every type of contract award. Contracts are awarded best on the price or costs that are fair and reasonable. Meanwhile some organisations take the highest price bidder while in others it is not a major consideration.

#### **2.3.1.8 Past Performance**

The performance of a particular contractor on previous contracts is an important basis for supplier selection. A number of indicators may be referred to in order determine whether a contractor performed well on a previous project or not. This criterion is mostly applicable in extremely competitive contracts, where all the technicalities have to be considered to choose one best bidder.

#### **2.3.1.9 None-Cost Factors**

These are factors that may include the technical approach and capabilities, staff qualifications and experience among others. Non-cost factors are those that consider the bidders technical and performance efficiency. Technical factors are reached after comprehensive discussions and the selection team has a broad discretion in determining them. The factors lead to the levelling rates in which the final result may be a number of close related offers with little discrimination among competitors. It should be emphasised however; that what is particularly important is not the number

of factors but having the right factors, which achieves the procurement objective as clarified in the solicitation planning.

### **2.3.2 THE AWARD OF CONTRACT**

This is the second stage in the procurement process; it is where the best supplier is selected and given the contract out of the various prospective bidders who applied.

#### **2.3.2.1 Selecting Decision**

The selection decision is based on three major considerations namely: transparency, accountability and value for money. It is based on a comprehensive assessment of all bids submitted. It is normally consistent with the procurement guidelines set particularly for the evaluation factors and the decisions made are normally rationally based on the PPDA guidelines. When the selection process team is through with its work, the selection authority compares the bids that have been submitted before the best is selected. An independent judgment is considered. Discussions with the competing bidders may be held to get more information and clarification on issues of interest to the selecting authority.

The successful bidder is then informed that if he/ she is in agreement with the decision, he/ she comes for the signing of the contract. Transparency and ethical consideration dictates that unsuccessful bidders are also informed of the decisions reached.

### **2.3.3 POST CONTRACTUAL AWARD PHASE**

This is the final stage in the procurement process, which basically involves two major activities namely:

#### **2.3.3.1 Contract Administration**

This is used to ensure that the contractor's performance meets contractual requirements. It handles things like; changes in the contract, progress reporting and payment to contractors during execution of the contract.

According to Cuseworth and Franks (1993) Contract Administration is the process by which efforts are made to ensure that every thing needed between time of signing a

contract to supply goods and the actual performance. Rejecting unsuitable goods is very expensive for both the buyers and sellers.

According to the PMI (2000) 'Contract administration is the process of ensuring that the contractor's performance meets contractual requirements'. This involves dealing with matters such as changes to the contract, or the procurement items, progress reporting, and payment to the contractors.

Contract administration also involves the management of supplier's relationships. This is the need to understand and make constructive ideas between the procuring entity and the supplier.

While the legal requirement of the contract will determine the course of action in administering the contract, the exercise of skills, judgment and ethical consideration is paramount for ensuring a transparent process.

However, we should bear in mind that, the specific nature and extent of contract administration vary from contract to contract.

#### **2.3.3.2 Contract Close Out**

Here all contractual relationships must eventually either be closed-out upon completion of all the work or termination prior to completion. A contract closeout is an administrative procedure involving formal acceptance of all contracts, deliverables and payments of the contractor's final invoice. On the other hand, a contract termination is generally an alternative action that stops work on all or part of the contract for cause or convenience. Therefore, the difference between a contract closeout and termination exists.

According to the PMI (2000) the process of closeout entails completion and settlement of the contract including resolution of any open issue. It also includes verification that work has been completed correctly before formal closure.

Contract closeout in case of a project occurs if the contractual relationships existing only for the life of the project. For example if the contract was in place to provide consultancy service for a particular project, then the contract will probably end after the project is over

## **2.4. Quotations and Proposals Method**

This is used where there is insufficient time for open or restricted bidding procedures such as emergency situation; or where the estimated value of procurement or disposal does not exceed the threshold stated in the procurement guideline.

The processes under which quotations procurement or disposal may take place are as follows: the Solicitation document is addressed to a limited number of potential bidders without advertising the opportunity; the selection of supplier is normally in accordance with the PPDA act 2003. However, it is a requirement that, at least three bids are obtained and internal bid opening is done in an ethical manner, as described by the act.

## **2.5 Direct Procurement**

This is used where there is insufficient time for an open or restricted bidding procedure such as in an emergency situation or where the works; service or supplies are available from only one supplier. (PPDA Act 2003 article 85).

Negotiation as a means of achieving value for money could therefore be used under this method, because the suppliers are not subjected to competition among themselves in terms of reasonable price valuation. Consequently, negotiations should be looked at as an exceptional procurement method which is only used where the tendering process is inapplicable or when items are of low value, items of recurring nature and specially fabricated equipments. Secondly, direct procurement method is used in emergence circumstances for instance, when there is an out break of epidemics and there is no time to undertake other procurement methods.

Negotiation have basically been used as a means of total quality management, timely procurement and cost rationalisation in the following exceptional ways:

Negotiation as a concept is the exchange of views either verbal or written between the Procurement Unit and the prospective supplier over quality, rate of delivery, price, among others, in order to reach a satisfactory conclusion to both parties. It is a way of inducing the supplier to effect price reduction. If not, it will at least enable the buyer to understand the reasons for the supplier's inability to price reduction. But as already

mentioned efforts to bring price reduction through negotiation should centre a round high valued items.

Despite the fact that, most private or profit oriented companies rely on negotiation as a way of price reduction, in public procurement it is rarely considered for price determination.

## **2.6 THE STORE UNIT**

Stores Unit contributes greatly to the attainment of the concepts of total quality management, timely procurement, and cost rationalisation.

Different methods are used by the stores unit to achieve its goals namely: economic order quantity (EOQ), enterprise resource planning (ERP), just in time concept (JIT), periodic review method (PRM) among other. The nature and complexity of stocked items, in most cases, is a fundamental factor in determining what particular method to be used.

### **2.6.1 The Economic Order Quantity Concept (EOQ)**

EOQ is a commonly used method of stock determining and control in terms of total quality management, and cost rationalisation.

The review indicated that:

A reduction in stock levels increases the time taken to deliver items needed by the organisation; as a consequence, various shortages would occur, hence affecting the general performance of the organisation. Therefore, the unfavourable use of JIT require the use of an optimum order quantity for stock items known as the Economic Order Quantity (EOQ),

$$\text{Expressed as } EOQ = \sqrt{\frac{2 \text{ CoD}}{\text{CH}}}$$

Controlling the size and composition of stores that presents a prudent deliverance for all departments is essential to manage stock optimumly. The importance of store control is to ensure that the requirements of the clients are readily availed in sufficient quantity, quality and moreover cheaply.

### **2.6.2 The periodic review method**

The periodic review method is a commonly used method of stock control. It is where stock is ordered once a month according to the nature of monthly financial releases by the Treasury. PR is also concurrently used as a method of cost management, for instance in the reduction and avoidance of overstocking or shortages. Therefore, the nature and complexity of work in most organisations remained a fundamental factor in determining what method to be used for a particular kind of procurement.

### **2.6.3 Just in time concept (JIT)**

JIT represents a series of procurement and supply chain techniques that aims at minimising stock levels and improve customer service by procuring only at the exact time user requirements, but also in the exact quantity they need at a competitive condition. JIT extends much further than a concentration on stock levels. It centres on the elimination of wastes, almost working concurrently with the concept of lean.

Waste on the other hand, refers to any activity performed with in the Storing Unit which does not earn value to the inventory system. Examples of wastes are redundant stock, dead stock, obsolete stock, work in progress, quality problems such as rejects and reworks, queues and delays on the shop flows, long customer lead-times, unnecessary accounting procedures, material handling and others. The concept attempts to eliminate wastes at every stage of the inventory process, for instance of:

- Batch in process- by reducing on there sizes.
- Raw materials stock- by direct supply to the shop flow
- Scraps and reworks- by emphasising total quality control
- Material handling costs, by redesigning the shop flows for direct movement of items.

The concept JIT looks at procurement from a single supplier who can provide high quality, frequency, and reliable delivery. In return the supplier can extend more business under long-term purchase orders thus providing greater certainty in forecasting activity levels. However, this concept was contrary to the organisation programs of competitive evaluation hence rendering it inappropriate.

Generally, the JIT concept remains the most effective factor in the reduction of wastes and other cost associated factors that are suffered by institutions despite the fact that, it less applicable in developing countries due to the amount of technology required to ascertain it. Secondly the nature and complexity of work carried out in some organisations which are prone to emergency cases does not favour the use of this concept in their procurement activities.

## **2.7 PHYSICAL DISTRIBUTION**

This section looks at the role of the internal distribution unit in the management of total quality, timely procurement, and cost rationalisation concepts in public institutions.

According to Waltery (1996), procurement is mainly concerned with moving materials supplies into the organization. At the other end of the operation is physical distribution which is concern with moving finished items including assortments, and codifications from the stores to the user departments. Distribution is sometimes described as giving the final link in the supply circle. A typical distribution system has many stakeholders arranged in the hierarchy:

- Procurement Unit
- Stores
- Distribution Channels
- Distribution Agents
- User Departments

Etzel etal (1997) argues that, after organisation establishes its channels of distribution, it must arrange for the physical distribution of its products/items through these channels. Physical distribution which we use is synonymous with logistics, (consists of all the activities concerned with moving the right amount of the right products to the right place at the right time).

Therefore, Physical Distribution in general includes the flow of materials from the Store line to the various destinations. Codification of items in stores is one of the methods used in improving quality management and in simplifying in the distribution process. Physical distribution involves:

- The strategic locations of the Stores/ Warehousing
- Concentrative Material handling
- Information Systems
- Regular Recording
- Order Processing
- Transportation

Total quality management, timely delivery and cost management in the physical distribution concept have been determined by the way materials are handled in the distribution process. The method of distribution determines the level of excellence in the delivery of goods and services without loss, damage or breakage. The time spent in the delivery functions is important in the operations of an organisation.

## **2.8. FUNCTIONING OF THE PROCUREMENT DEPARTMENT**

This section defines the way the procurement department operates to achieve the pre-determine objectives of quality management, timely procurement and cost rationalisation. The procurement department carry out the following activities:

### **2.8.1 SUPPLY CHAIN MANAGEMENT (SCM)**

Supply chain is a life cycle process comprising the physical, information, financial and knowledge flows, whose purpose is to satisfy end-user requirement with the products and services from multiple linked suppliers. (Hand Book of Supply Chain by James Ayers 2001)

The process of supply chain management is an attribute of total quality management, cost rationalisation, and time management in that, it quickens movements of products and services and in the process it minimises time spent resulting into timely procurement and cost rationalisation.

The process also involves the effective monitoring and the application of knowledge in the procurement processes. Supplier research, innovation and other input knowledge inputs are involved. The following diagram shows the supply chain concept:

**Schematic diagram 1: A diagram showing the Supply Chain Management concept (SCM) in the procurement process**



From the figure, supply chain is a continuous process of the flow of activities from the actual source, to the Procurement Unit, Stores Unit, Distribution Unit, up to the end User Departments. The effective flow of activities in the procurement process leads to time management, total quality procurement, and cost rationalisation in an organisation.

Supply chain management is primarily responsible for timely management and continuous delivery. It has been facilitated by the existence of a good logistical sequence, which includes: proper vehicle conditions, effective net-working and good employee relation. The supply chain management and material management concepts are closely related since all activities are managed and observed at one focal point.

### **2.8.2 LOGISTICS MANAGERMENTS**

The ideas of firms linked together (supply chain) have roots in the logistic field that includes: warehousing and transportation management. Of course, physical movement of products along the stages in the supply chain is an important part of most economies.

The Council of Logistics Management (CLM 1998) defines logistics as: That part of supply chain process that plans, implements and controls the efficient flow and storage of goods, services, and related information's from the point of origin to the point of consumption in order to meet customer's requirements

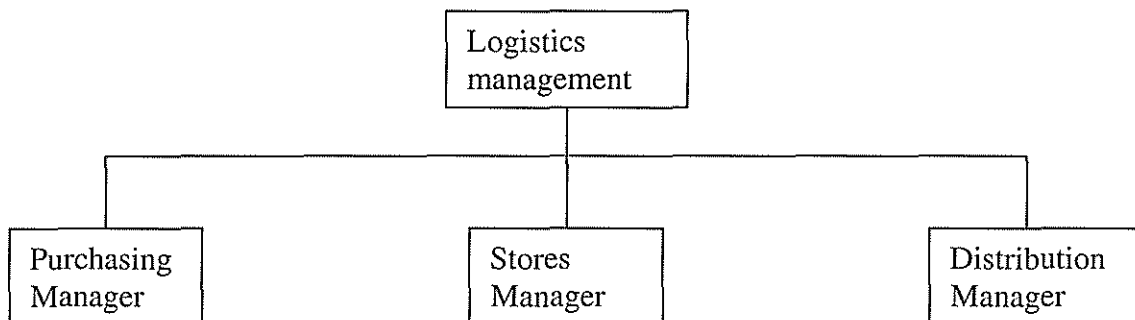
According to Lysons (2000), Logistics Management is a process of strategically managing the acquisition, movement and storage of materials, parts and finished inventory (the related information flows) through the organization and its market

channels in such a way that current and future profitability is maximised through the cost effective fulfilment of orders.

Logistics Management in every real sense is management. The design of a system and accompanying operating policies to permit effective and efficient flow as well as the control and coordination of that flow on an ongoing basis is the essential concerns of logistics managers. (Shapiro and Heskett 1985)

Therefore, as seen the previous definitions, logistics management is synonymous with the supply chain management. It summarises the process of procurement, movement and maintenance of materials which are attributes of total quality management, cost rationalisation and timely procurement/ delivery, just like the supply chain management. A schematic diagram of logistics management is presented here below:

**SCHEMATIC 2: A diagram showing Logistics Management in organisations**



Major improvement initiatives, which Organizations have implemented in the recent years, have posed fundamental challenge to previously accepted ways of managing people and Organizations. These initiatives are typically by programs such as the Total Quality Management (TQM), Just-In-Time (JIT), Lean Production (LP), and the World Class Manufacturing (WCM), in the manufacturing sector and Efficient Customer Response (ECR), and Quick Response (QR), in the retailing sector.

These new management concepts have now been introduced into the public sector. The introduction of these concepts in public procurement have led to raising the level of quality, better deliveries, reduced costs and improved financial performance as well

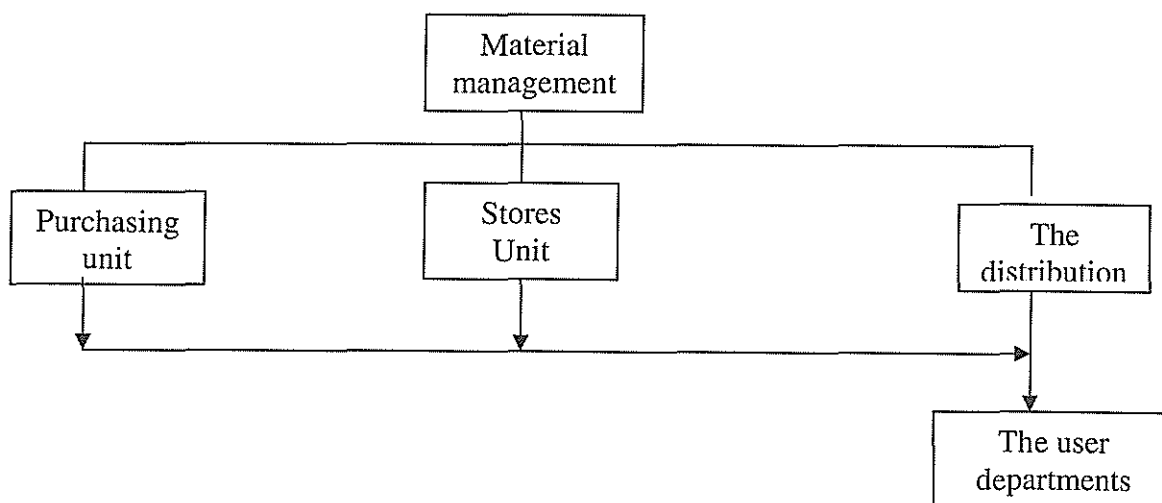
as entrance and more flexible level of customer response. However, their applications by various organisations tend to vary. In particular, a major point of variation is the extent to which the traditional methods of management and organization have been challenged and altered. In general however, these programs have contributed to the changing in the view about the contextual background to the purchasing and supply function and have also been influential in changing organisational thinking about procurements.

### 2.8.3 MATERIAL MANAGEMENT

This section addresses the concept of material management in the procurement department. It describes the integration of all activities involved in the procurement department. Material management in organisations was represented by the use of networks and telecommunication which are used in monitoring all operations of the organisation.

Material management has been a driver of total quality management, cost rationalisation, and time management in any organisation through the effective management of purchase, storage, and physical distribution processes in organisations. A representation of the material management concept is as follow:

**Schematic 3: A diagram showing the nature of material management in a typical Public institution combining the purchasing unit, stores unit, distribution unit and user departments**



The movement of materials and resources, right from their source of supply to the organisation premises, until their final delivery to the customer is a function of the material management concept. An organisation which is well equipped with information technologies such as computers facilitates coordination as a materials management function.

## **2.9 CHALLENGES OF THE PROCUREMENT DEPARTMENT**

Much as the procurement departments have tried to fulfil their primary objectives of quality, cost and time management in order to achieve the organisations mission, it faces many challenges such as:

### **2.9.1 Corruption**

The procurement department is littered with cases like; corruption, bribery, sectarianism, and discrimination, and other vices. Abuse of office for private gain is a widespread phenomenon in public service of Uganda and it is worse in the procurement of goods and services.

There are many laws created to streamline public procurement and to minimise the effects of corruption in the procurement process. The following are some of the laws used such laws are the Leadership Code, the Public Procurement and Disposal of Assets act and the Penal Code.

If these laws were effective, corruption would have been greatly minimised in the country, for example the PPDA Act (2003) under Section 939(1) fifth schedule says:

- Employees shall not use their authority or office for personal gain and shall seek to uphold and enhance the reputation of the Ugandan government at home and abroad by: maintaining an impeccable standards of integrity in all business relationships both inside and outside the organizations in which they are employed; fostering the highest possible standards of competence; optimizing the use of resources for which they are responsible to provide the maximum benefit to Uganda and complying both with the letter and the spirit of the laws of Uganda and regulatory guidance; accepted business practices in commercial markets and contractual conditions.

- Employees shall reveal any personal interest that may be impingent or might reasonably be deemed by others to impinge on an employees business dealing with an industry.
- Employee shall respect the confidentiality of information received in the course of business dealings and shall never use such information for personal gain. Information given by employees in the course of business dealing shall be true and fair and not designed to mislead.
- Employees shall a void any business arrangement that might prevent the effective operation of fair Competition
- Employees shall not accept business gifts from current or potential government supplies unless such gifts are of very small intrinsic value such calendar or a pen.
- Employees shall refrain from any business hospitality that might be viewed by others as having an influence in making a government procurement decision as a result of accepting the hospitality.

The need for such laws and regulations cannot be overemphasised, since public procurement takes a large chunk of national budget.

### **2.9.2 Delayed or Unreliable Funding of the Procurement Department**

This scenario is common in the public sector where money meant for procurement is released irregularly or late and not in the budgeted/expected quantity so the procurement department cannot plan and make timely procurements. The delayed funding is normally as a result of inadequate funds and prolonged processes involved in the disbursement of money. This is an obstacle and a challenge because it affects the effectiveness of the procurement department.

### **2.9.3 Political Interference**

This is the process by which top authorities dictate the procurement department in the performance of their duties according to the laid down procedures and the law. For instance the Global Fund which was meant for the Procurement of drugs for AIDS patients was misappropriated by political leaders making it difficult for the procurement department to utilise it as required.

### **2.9.4 CONCLUDING REMARKS**

In conclusion, the Procurement Department can be of great use in an institution by enabling it to acquire its requirements in time, and in good quality and quantity thus contributing to its efficiency and effectiveness and eventually leading it to realise its mission. However, the challenge to every institution is facilitating the procurement department to do its work by availing it the required resources and giving it an enabling environment.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

This chapter describes the research design, area of the study, study population, sample size techniques, data collection methods, data analysis, and data collection Procedure.

**3.2 Research design** on a population at a single point in time, and data was collected from only an institution

A cross-sectional study method was used to gather information in one session. I used this method because I was getting view of staff in regards to quality management, cost reduction and timely procurement/ delivery by the procurement department. The study was both qualitative and quantitative in approach. It was largely qualitative because of the nature of the topic which required getting views and feelings of the key respondents. The study variables relied on factors such as; total quality management, cost rationalisation, and timely procurement / delivery by the procurement department to Mulago hospital. Qualitative methods were used in aspects that could not be quantified such as attitudes and beliefs of the respondents. Quantitative variables of interest were applied and percentages, tables and schematic presentations were used.

#### **3.3 Ares of the study**

The study was carried out at Mulago hospital. This hospital was purposely chosen because it handles a wide range of procurement related to its activities such as machinery, equipments and furniture, drugs and services. Secondly, it was conveniently situated near my home which enabled me to collect the necessary information and data, at least cost.

#### **3.4 Study population**

Participants of the study were all employees of the hospital. A total of 30 members staff were used for the study. These included medical doctors, nurses, and paramedics (from the Medical Department), Top Administrators from the (Administration Department), Accounts and Finance, as well as procurement officers.

### **3.5 Sample size**

A sample of 30 employees was purposely selected for the study. These included 10 medical staff, 5 administrators, 8 accountants and 7 senior procurement officers. Heads of department were selected because of the central role they play in the procurement process, either as heads of user departments, or as decision makers in the procurement activities.

### **3.6 Sample selection procedure:**

Four (4) departments were used in the hospital basing on their correlation and use of the procured materials. This was done so as to make the study exhaustive in terms of procurement process, financial decision making and distribution of the goods and services procured. A sample frame constituting of all employees in each departments of the hospital was constructed with help of officials. Among the 30 staff, at least 2 informants were purposely selected from among heads of department. These were expected to be versed with the study variables.

### **3.7 Data collection methods/ instruments**

These included:

#### **3.7.1 Self administered questionnaires**

Self-administered questionnaires contained a set of questions on a particular subject administered to the targeted respondents for a particular study. These were used to collect information from people about feelings, ideas, plans and opinions. They were also questionnaires delivered to the targeted respondents containing the objective of the study. They were good because they gave the responses, freedom to address questions in his/ her own view. I used this type of questionnaires because it encouraged the respondents to accurately report personal information and also allowed careful responses when the respondents answered at their conveniences.

Self-administered questionnaires (see appendix C and D) were administered to the staff of Mulago hospital. I presented a set of open-ended questions to the respondents with a clear instruction on how to complete them. These questionnaires were given to the senior personnel of the hospital, who were so much directly concerned with procurement and to those who used the items procured. Doctors had to testify on the

availability of drugs and necessary equipments used in operations. Accountants had to testify on the cost factor attributed by the Procurement department, while the administrators had to confirm the roles of the Procurement department.

### **3.7.2 Unstructured interviews**

These are set of questions that I asked when interviewing. They were suitable because they allowed me with an opportunity to meet the respondents face-to-face, which made it possible for me to obtain the data required to meet the specified objectives of the study. An interview guide (see appendix E) was applied to key informants because they are knowledgeable about the study. Interviews gave me greater control over the interviewing situation; this was done by ensuring that the respondents answered the questions sequentially. The interviews were administered to both senior officers and junior employees of the hospital. This was done in order to extract data from a wide range of people, particularly from employees who have served the hospital for a long period of time. Open-ended interviews were of great use because they did not limit the respondents in answering the questions, which enabled me to get detailed information about the study.

### **3.8 Documentary review:**

This involved the review of existing documents on the subject. This included employee bidding process documents, letter of intents and Pro-forma invoices, memoranda, among others which helped to corroborate the information obtained from questionnaires and interviews.

### **3.9 Data analysis**

#### **3.9.1 Qualitative data analysis**

This involved continuous qualitative analysis of the responses from unstructured interviews starting with the process of data collection transcribed in the textual format. Analysis of data was done thematically where the recorder and facilitator met to review notes taken during the meeting. Presentation was systematic, identified major recurrent themes: Data was sorted, coded, organised into categories, then examined, recorded and theorized to examine emerging trends and associations. Independent analysis or respondents validity was also done. I established the relationships among categories, this was done by using codes that would be assigned

manually and lastly I evaluated and analysed the data using content method to determine the adequacy of information and credibility.

### **3.9.2 Quantitative data analysis**

Data was coded and tabulated by the use of sample tables and percentages of each analysis. The questionnaires were edited and responses coded. Data collected was presented on tables. Descriptive statistics summarized in a single number totals. Data collected on self-administered questionnaires were checked at the end of each interview day to ensure uniformity, accuracy, consistency, legibility and comprehensiveness.

### **3.9.3 Data collection procedure**

The coordinator of graduate programmes in the faculty of business and management Dr. Y.B.Nyaboga gave me a letter introducing me to the hospital staff (Appendix A). I wrote another letter addressed to respondents indicating the purpose of the study.

I first approached the director's Office Mulago Hospital, which received and referred my proposal to the Chairman, Ethic and Research Committee, Mulago Hospital. They reviewed my Proposal and the Secretary granted me a letter authorizing me to carry out the research at the hospital. I then went to the head of the Procurement Unit Mulago hospital who assisted me in terms of coordination and direction throughout my study.

My data collection process interviews lasted for 10-20 minutes per respondent. I was given an official attendant to take me at the different departments of the hospital where I distributed the questionnaires. The respondents were selected from four (4) departments; from which at least, eight respondents were chosen from each. And in terms of interactive interviews random samples were used. The questionnaires were collected from the respondents after two weeks. After one week, I reminded the respondents to help and fill in the questionnaires. Some respondents filled in the questionnaires while I was physically waiting. Most of them within one week had finished filling in. This was advantageous to me because it quickened the data collection process.

The problems that I encountered were as follows: First, some staff thought that I was a government spy trying to investigate on their duties/ jobs, not until I clarified that the study was purely academic. Secondly, it was difficult to find some top administrators and managers of the hospital, as and when I needed them because they were engaged in other duties such as meetings, medical work and others, something which was expensive to me in terms of money and time spent on the research mission.

## **CHAPTER FOUR**

### **FINDINGS OF THE STUDY**

#### **4.1 INTRODUCTION**

This chapter discusses the finding in regards to the contribution of the Procurement department in achieving Mulago hospitals mission. It delved into how the Procurement department was applying the concepts of quality management, cost rationalisation, and timely procurement or delivery, to help the hospital achieve its mission and goals.

The study also considered various procurement methods, processes and procedures involve in the attainment, maintenance and transportation of materials/ resources, such as tendering process, supply chain management, and material management concepts.

Data collection methods used included questionnaires, observations and in-depth interview to find out answers to the research problem. A sample population of 30 respondents was used.

The study examined a sample population of 15 respondents each from both the User departments and Procurement department respectively. This chapter begins with the analysis from the User Departments because it is the one which gave testimonies to the performance of the procurement department in regards to quality, cost and timely delivery of the necessary items or requirements for the Hospital

#### **4.2 THE USER DEPARTMENTS**

These were departments which testified and granted evidence that indeed the Procurement department plays a significant impact in the realisation of the mission of Mulago hospital. These departments included the Medical department which constituted the medical staff (Doctors, Nurses and Paramedics); the Administration department constituted the senior staffs and the members of the contract committee, and lastly the Accounts department. Doctors and other medical staff testified on the

quality of items or drugs supplied by the Procurement department, well as the Accounts staff testified on the cost factor attributed by the Procurement department.

The questions structured in this aspect were:

1. Are you satisfied with the quality of materials and equipments procured for use in the Hospital?
2. Do you always receive the necessary materials, drugs and equipment on time?

**TABLE 1: Employee's response on quality of delivery by the Procurement Department**

Response	Respondents from the user departments		Percentage responses from respective departments	
	Doctors	Administrators		
Yes	04	05	80	100
No	-	-	-	-
Sometimes	01	-	20	-
Total	05	05	100	100

A total of 10 respondents were examined, which included 5 doctors and 5 Administrators. These findings were 80% doctors said yes in favour of the Procurement department, 20% for sometimes and none criticised. On the other hand, the Administrators were all in support of the Procurement department. This indicated that, generally the Procurement department has been instrumental in the management of quality procurements of goods and services for the hospital. The hospital gets value for money on the procurement made

**Table 2: Employee's response on timely delivery of materials, drugs and equipments by the procurement department**

Response	Medical Department	Administration Department	Percentage response from respective Departments	
Yes	07	05	70	100
No	-	-	-	-
Sometimes	02	-	30	-
Total	10	05	100	100

From the table: a total of 15 respondents were examined in both the Medical and the Administration departments. In the Medical department, 70% of the respondents said yes, while 30% were for Sometimes and none said No. On the other hand in the Administration department all the respondents were in favour of the Procurement department in terms of timely procurement and delivery. This indicated that, materials were always delivered in time. However, during my interactive interviews some doctors expressed difficulties in getting all what they require for handling patients. This was attributed to the inadequacy and infrequency in the release of funds to buy drugs, materials and equipments.

Another significant question structured to find out the contribution of the procurement department was:

3. Do you always live within the budget provided for the procurement of goods and services in the hospital?
4. Is budget allocation sufficient for procurement of the hospitals yearly requirements?

This question was directed to the staffs of the Management department of the hospital. The following were the findings:

**Table 3: Employee's responses on budgetary performance by the procurement department**

Responses	Accountants	Top management	Percentage responses from respective Departments	
Sometimes	01	01	33.3	20
Not at all	-	-	-	-
Yes	02	04	66.6	80
Total	03	05	100	100

Of the respondents, none said not at all 66.6% accounts of staff and 80% of top management staff said yes, while 33.3% in total said sometimes. From the oral interviews some respondents implied that it was difficult to follow the budget for the following reasons:

- Accidental emergency procurements which normally lead to unplanned procurements.
- Insufficient budget provisions for the hospital making it difficult to buy all the required materials.
- Fluctuation in prices, especially of the imported items, making it difficult to live within the budget.

Therefore, it can be observed that, to a greater extent the procurement department have tried to live with its concept of cost reduction, although there are some limitations that affect its operation.

### **4.3 THE PROCUREMENT DEPARTMENT**

This Department has two Units namely: the Procurement Unit and the Stores Unit. The Procurement Unit is responsible for the management of purchases and contracts, while the Stores Unit is responsible for the control and regulation of stock, and the physical distribution of the procured items.

A majority of the respondents in the User departments recognised the contribution of the Procurement department as already observed above. It was necessary to establish how the Procurement department, under its functional units, have achieved the concepts of cost, quality and timely deliverance/ procurement of requirements in the hospital. The following were the findings as regards to procurements and the Stores Unit.

#### **4.3.1 The Procurement Unit**

Main attention was drawn to how the Procurement Unit has achieved the concepts of quality, cost and timely procurement by using the recommended purchasing methods. The interview and questionnaires drafted also looked at the limitations faced by the Procurement Unit in the achievement of these concepts.

##### **5. What procurement methods, do you commonly use?**

First and foremost, through structured questionnaires and interactive interviews, the procurement process and methods indicated were:

- i. Competitive bidding method, and
- ii. Direct procurement method.

However, the direct procurement method was used in exceptional conditions, implying that it was rarely used as a method of achieving/ realising quality, cost reduction or timely procurement.

##### **4.3.1.1 The Competitive bidding method**

The study indicated that, this is the commonly used method in the hospital in order to realize the predetermined objectives of the hospital in terms of quality, cost and timely procurement. Through structured questionnaires and interactive interviews, I realised that during the competitive bidding process the best evaluated bidder is awarded the contract to supply. This award of contract is based on the principles of fairness and transparency. Respondents indicated that the issue related to ethics were taken quite seriously in the procurement process leading the institution to attain the right quality, at the right cost and in the right time.

On the other hand, the study indicated that, because of the emphasised use of competition in procurement as the best effective way of achieving value for money,

other methods such as JIT where rarely used, inspite of the fact that; it is a commonly used in the private sector as a method of cost rationalisation and competitive advantage. The criteria involves time management, stock control and effective distribution. Interactive interviews where conducted in the process of data collection and various responses indicated that JIT was rarely used due to the nature and unpredictable works of the hospital.

#### **4.3.1.2 Procurement planning**

The following questions were asked in orders to find out whether the Procurement department drafts procurement plans before the actual procurement of goods and services for the hospital:

6. Does the Procurement department prepare procurements plans before it uses a particular method of procurement?

7. Does the Procurement department consult you (User Departments) before it procures materials, drugs and equipments for your consumption?

**Table 4: Employee's responses on whether procurement plans (QTN 4) are used by the procurement unit**

Responses	No. of respondents	Percentage
Yes	05	100
No	-	-
Sometimes	-	-
Total	05	100

From the table: A total of 5 employees were examined, were five out of five respondent said yes, implying that, there is no purchase made with out first drafting a Procurement Plan. Furthermore I observed quarterly and monthly procurement plans drawn by the procurement unit.

**Table 5: Employee's responses on whether the procurement department consults the User Departments before it procures requirements**

Departments	Responses of the User Departments		Percentages		Total Responses	Percentage Total
	Yes	No	Yes	No	Yes	No
Medical	03	02	60	40	05	100
Accounts Unit	05	-	100	-	05	100
Administration	05	-	100	-	05	100

These questions were directed to the User departments such as the Medical Department, Administration department, and Accounts Unit. Data collection methods used were structured questionnaires, and the following responses were attained from respondents:

In the table: A combination of departments was represented that included the Medical, Administration and Accounts Unit. A total of 15 respondents were examined 5 from each department. In the Medical department 60% respondents said yes, while 40% said no. In both the accounts unit and the Administration department all the respondents said yes in support for the Procurement department. Therefore, it can be noted that, a larger proportion of employees said yes implying the Procurement department indeed consults the User department in its process of identifying requirements from the various clients.

The consultancy of the User departments is part of a procurement plan process. Therefore, one should understand that, both these aspects work concurrently and they are the gist of a good procurement process to realise quality management, cost reduction and timely procurement/ deliverance, hence achieving the hospitals mission. Simultaneously, a procurement plan leads to choice of the procurement method at a particular time.

### 4.3.2 THE STORES UNIT

In this Unit of the Procurement department, a number of factors were observed and examined to draw a conclusion on how the stores have contribution in the drive towards the achievement of quality, cost and timely delivery of items.

The variables studied were the methods of storage used, stock arrangement and designs, and the way stock was being handled. The findings obtained in terms of cost reduction; timely delivery and quality management were as follows:

#### 4.3.2.1 Methods of Storage

Through interactive interview, observation and questionnaires the method of storage commonly used was the periodic review, where stock replenishment was made at intervals, i.e. once a week.

A number of questions were asked in this case which included:

8. Do you at all times have all requirements in Stock?
9. How often do you replenish Stock?
10. What method are you using in the distribution of Stock?

**Table 6: Showing Stock replacement**

Period	Respondents	Percentages
Once a month	05	100
As and when required	-	-
Once a week	-	-
Total	05	100

From the table: A total of 5 respondents were examined in the Stores Unit but all the five indicated that stock is replenished once in a month. It was noted that cases of stock shortages, for instance the shortages of the diabetes drugs, that was reported on 10<sup>th</sup> / 9/ 06 in the (New Vision paper) was as a result of delays in getting funds by the procurement department to purchase items in time. The researcher did not come

across cases of obsolete and dead stocks which are common in government institutions.

The use of experienced personnel in the handling of the procurement process was also evidenced; otherwise a lot would be making losses due to damage and contamination of drugs and chemicals.

#### **4.3.3 PHYSICAL DISTRIBUTION**

This was a function of the Stores Unit. Physical distribution constituted the supply of requirement from the stores to the various User departments in the hospital. The various questions asked to the respondents in this aspect in order to realise to my objective of the study in terms of quality management, cost rationalisation and timely delivery were:

11. Which is the most appropriate method of distribution in terms of timely delivery, avoidance of breakage of materials and contamination of materials (cost rationalisation and quality management respective)?

**Table 7: Employee's responses on the best appropriate method in the distribution of materials, chemicals and drugs to the user departments**

Method	Responses	Percentages
Manual	04	80
Auto-motive	01	20
Total	05	100

From the table: A total of 5 employees from the store unit were examined, 80% of the respondents said that the manual method was best due to the nature of work in the hospital. The manual method of physical distribution included the use of manpower in the transfer of materials from the stores to the various User departments. 20% of the respondents favoured auto-motive method which includes the use of machines and vehicles in the physical transfers of requirements to the different User departments.

Some of the major reasons granted for the use of the manual methods were that it reduces inconveniences involved in the use of vehicle such as off loading and loading. Secondly, the nature of location of most departments was not good for vehicle movement.

## **CHAPTER FIVE**

### **CONCLUSION AND RECOMMENDATIONS**

#### **5.1 INTRODUCTION**

The overall purpose of the study was to find out the contributions of the Procurement department towards the achievement of Mulago hospitals mission. The study considered factors like; total quality management, cost rationalisation, timely procurement and delivery of goods and services required by the institution as a way of achieving the hospitals mission.

#### **5.2 CONCLUSION**

Each variable (e.g. quality, time and cost management) drawn a conclusive remark depending in the way it was perceived during data analysis and then an overall conclusion given.

##### **5.2.1 Total quality management (TQM)**

It was observed from the finding (chapter iv), that the various User departments appreciates the role of the Procurement department in the achievement of not only quality but also factors like cost reduction and timely delivery which explains the performance of this department in the achievement of the hospitals mission.

Much as 20% were not in full support of the Procurement department for the realisation of the total quality concept, a majority of (80 %) respondents were in favour of it. This indicated that, the Procurement department has indeed contributed a lot to the achievement of the hospitals mission in terms of quality management.

##### **5.2.2 Timely procurement and delivery**

This is another great aspect that was considered in the study, because the life of patients lies on the availability of drugs and all sorts of requirements needed in the provision of there services, when there are no drugs needed to treat patients, definitely many will die. Therefore, the Procurement department should ensure that drugs and all necessary requirements are procured and delivered in time.

Timely management as a credential by the Procurement department was indicated under table 3 in the findings, where the overwhelming majority of the respondents confirmed that requirements were in most cases delivered in time and were always available. This appreciation indicated that the Procurement department, to a larger extent, has achieved its objective of timely procurement and delivery.

### **5.2.3 Cost reduction**

The Procurement department was also credited for the achievement of the cost reduction concept in the hospital, by using a well laid down tendering process, it not only able to procure at the least cost but also to get quality goods and services.

The study has therefore concluded that, the Procurement department has achieved its objectives of procuring the right qualities, at the right price, from the right supplier, and at the right time. This justifies the validity, effectiveness and efficiency of the Procurement department in the achievement of Mulago hospitals mission.

In conclusion, the procurement department of Mulago hospital is doing its best to help the hospital realise its mission. The study has established that goods and services are procured in time, in the right quantity and quality and that the right procedures are followed. If other public institutions follow the good example of the procurement department at Mulago, Uganda public service will soon realise the significance of this department/ unit in their organisations.

## **5.3 RECOMMENDATIONS**

Government and the hospitals top management should devote adequate financial resources, for the procurement of goods and services required by the institution.

Funds should always be released in time by the Treasury (say half yearly) in order to reduce rush hour procurements, which can never be cost effective.

Political interference in procurements should be avoided by all authorities because it leads to procurement of wrong items and to inefficiency in the procurement function.

Corruption is high in public procurement and disposal of assets, partly because of poor remunerations and laxity in enforcing the laws. Remuneration should be improved and the many laws already enacted need strict and relentless enforcement.

#### **5.4 FUTURE RESEARCH AREAS**

A lot of financial resources are annually located by parliament for procurement of goods and services for public institutions. There is need to establish the current level of operations and effectiveness of the departments that handle purchases for these institutions. There is also need to find out the best methods of procurement applicable to the public bodies that receive these funds.



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***Office of the Dean  
School of Business and Management***

Date: 24<sup>th</sup> July, 2006

THE HUMAN RESOURCE MANAGER,  
MULAGO HOSPITAL,  
KAMPALA.

Dear Sir/Madam,

**RE: MR. PULE SAMUEL REG.NO. BSP/5237/32/DU**

This is to confirm and inform you that the above referenced gentleman is a bonafide student of Kampala International University pursuing a Bachelor of Supplies and Procurement Management Degree programme in the school of Business and Management of the University.

His title of the Research Project is "CONTRIBUTION OF THE PROCUREMENT DEPARTMENT TO MULAGO HOSPITAL" A CASE STUDY OF MULAGO HOSPITAL.

As part of his studies (research work) he has to collect relevant information through questionnaires, interviews and reading materials from your place.

In this regard, I request that you kindly assist him by supplying/furnishing him with the required information and data he might need for his research project and also by filling up the questionnaire.

Any assistance rendered to him in this regard will be highly appreciated.

Yours Sincerely,

**DR. Y. B. NYABOGA**

ASSOCIATE DEAN – SCHOOL OF BUSINESS AND MANAGEMENT  
TEL.NO. 0752 843 919

## **APPENDIX B:**

### **RESEARCHERS LETTER TO RESPONDENTS**

Dear Respondent

I am a Bachelor Student in Supplies and Procurement Management of Kampala International University, Faculty of Business and Management.

I am conducting a Research on:

**“CONTRIBUTION OF THE PROCUREMENT DEPARTMENT TO ORGANIZATIONS: A CASE STUDY OF MULAGO HOSPITAL”.**

You are kindly requested to respond to this questionnaire that has been sent to you. The study is purely for academic purposes and the information you will give shall be treated with ultimate confidentiality.

#### **INSTRUCTIONS**

Do not write your name anywhere on this questionnaire.

You are kindly requested to fill the questionnaire and have it ready for collection by the researcher within a period of one week.

Your co-operation and contribution will be highly appreciated.

Thanking you in advance.

Yours faithfully

Pule Samuel  
**BSP. CANDIDATE**  
0782 889 502

## APPENDIX C

### QUESTIONNAIRE TO THE ORGANIZATIONS HUMAN RESOURCE/EMPLOYEES

#### **PROCUREMENT UNIT** (Answer where appropriate for you)

##### **1. BACK GROUND INFORMATION**

(a) Your title.....  
Sex:.....

(b) When did you join Mulago Hospital?

.....  
....

(c) What is your Department/ Unit called?

.....  
...

(d) What is the major function of the Department/ Unit?

.....  
...  
.....

##### **2. PURCHASING**

(a) Mention five important items procured by your Department/ Unit?

.....  
..  
.....  
..

(b) How regularly are these items in (a) above procured?

.....  
...  
.....  
...

(c) What are some of the problems you face when purchasing goods and services from any source/ supplier?)

.....  
.....  
.....  
(d) What is your total value of Procurements per month?

.....  
...  
.....  
...  
.....  
...  
(e) Do you live within the annual budgetary provision of the Procurement of goods and services?

.....  
....  
.....  
....  
(f) Do you always have sufficient stock supplies for the User Departments:

(i) Yes

☐

(ii) No

☐

(iii) Some times

☐

(I) If No in (h) how do you always cope up with the situation?

.....  
...  
(J) Is the Procurement Department/ Unit well facilitated to do its work efficiently and effectively, in terms of: its budget allocation and logistics (Vehicles, Computers etc)

(iv) Yes

☐

(v) No

☐

(vi) Fairly facilitated

☐

.....  
...  
(k) Do you have proper storage for all the supplies procured?

(g) Yes

☐

(ii) No ☐

(iii) For some of them ☐

### 3 TENDERING

(a). Public Procurement as an aspect in Uganda is based on the principles of open competition for the prospective Bidders. Please can you explain some of the processes in Procurement?

.....  
.....

.....

(b) What is the role of your Unit/ Department in the Tendering process?

.....  
.....

.....

(c) Do you get Political interference from higher Authorities during the Tendering process?

(i) Yes ☐

(ii) Sometimes ☐

(iii) Not at all ☐

(d) If the answer is Yes in (c), how do you handle the situation?

.....  
.....  
.....

(e) Are there circumstances where Tendering would not apply for the Hospital?

(i) Yes ☐

(ii) No ☐

(f) If yes, how do you go about with the problem mention in (e) above?

.....  
.....  
.....  
.....

(g) Do you some use Electronic Procurement?

(h) Yes ☐

(ii) No ☐

(h) If yes in (g) above, under what circumstances?

.....  
.....  
.....

(I) Workshops, Seminars, Conferences among others are some of the ways used to improve ones performance at work. Have you and other staff members of the Unit gone for any Workshops, Seminars, or training?

(i) Yes ☐

(ii) No ☐

(J) If yes, are the courses/ topics discussed always relevant to the development of your skills in Procurement?

(i) Yes ☐

(ii) No ☐

(k) How do you rate the performance of your Unit?

(i) Excellent (80% of the expected) ☐

(iii) Good (60% of the expected) ☐

(iv) Satisfactory (40% of the expected) ☐

(v) Poor (below 30% of the expected) ☐

(k) If below expectation what are the three major causes?

.....  
.....  
.....

(L) Which of the following usually used for brings supplies to the Hospital?

(i) Air transport ☐

(ii) Train transport ☐

(iv) Road transport ☐

(v) Suppliers own transport ☐

(m) Are your deliveries always made in time?

(i) Yes

(ii) Sometimes

(iii) Not at all

☐☐☐

(n) Which of the following problems do you face when handling goods and services?

(j) Pilferage

(i) Damages/ breakages

(ii) Under-deliveries

(iii) None

☐☐☐☐

(o) What means is used in Storage, Retrieval and Supplies?

(i). Manual

(ii). Automation

☐☐

(p) How regularly to replenish stock?

(i) Once a week

(ii) Once a month

(iii) As and when requires

☐☐☐

(q) Do you always have dead stock?

(i) Yes

(ii) No

(iii) Some times

☐☐☐

(r) Do you always follow the PPDA guideline when disposing off obsolete/ un-required stock?

☐

(i) Yes

(ii) No

☐

(s) Which of the following stock control methods are used in Material handling?

(i) Economic order quantity (EOQ)

☐

(ii) Just in time (JIT)

☐

(iii) Fixed order quantity review method

☐

(iv) Periodic review method

☐

## GENERAL COMMENTS

(t) In your own view, does the Procurement Department/ Unit contribute significantly towards the achievement of Mulago Hospital Mission?

(i) Yes

☐

(ii) No

☐

(u) Why/ how

.....  
.....  
.....

(v) Do you consider the Procurement Unit/Department as an important factor in the performance of the Hospital?

.....  
.....  
.....

(w) Is the Procurement Department/ Unit well facilitated to do its work efficiently and effectively in terms of:

(i) Quality staffs

☐

(ii) Sufficient Budget allocation

☐

(iii) Logistics (vehicles, computers etc

☐

## **APPENDIX D**

### **QUESTIONNAIRE TO THE ORGANIZATIONS HUMAN RESOURCE/EMPLOYEES**

#### **USER DEPARTMENTS**

**(Answer where appropriate for you)**

##### **DOCTORS**

1. Do you receive Quality Products for your duties?

(k) Yes ☐

(ii) No ☐

(iii) Sometimes ☐

2. Are the Products delivered to you in time to perform your duties?

3. On 9<sup>th</sup> /9/ 06, it was published in the news papers that the Hospital is lacking diabetes Drugs, how often do you face such problems?

(i) Regularly ☐

(ii) Or rarely ☐

##### **ACCOUNTING AND FINANCE DEPARTMENT**

1. Is the Procurement Department operating within the expected Budget Plan?

(l) Yes ☐

(ii) No ☐

(iii) Some time ☐

2. How often do you audit there performance?

(i) Once a week ☐

(ii) Once a month ☐

(iii) After every Purchase

☐

## ADMINISTRATION DEPARTMENT

1. Is the Procurement Department realising Quality Management as far as you are concerned?

(i)

☐

(ii)

☐

(iii)

☐

2. Is it realising Cost and Timely Delivery

(i) Yes

☐

(ii) No

☐

(iii) Sometimes

☐

## APPENDIX E

### (Question guide)

1. Are you satisfied with the quality of materials and equipments procured for use in the Hospital?.....  
.....
2. Do you always receive the necessary materials, drugs and equipment on time?  
.....  
.....
3. Do you always live within the budget provided for the procurement of goods and services in the hospital?
4. Is budget allocation sufficient for procurement of the hospitals yearly requirements?.....  
.....
5. Does the Procurement department prepare procurements plans before it uses a particular method of procurement?.....  
.....
6. Does the Procurement department consult you (User Departments) before it procures materials, drugs and equipments for your consumption?.....  
.....
7. Do you at all times have all requirements in Stock?.....  
.....
8. What methods are you using in the distribution of Stock?.....  
.....
9. Which is the most appropriate method of distribution in terms of timely delivery, avoidance of breakage of materials and contamination of materials (cost rationalisation and quality management respective)?.....  
.....
10. Apart from the competitive bidding method, what other methods of procurement used?  
.....  
.....
11. Have you ever suffered from political interference?  
.....  
.....

12. Who handles the transportation of supplies after procurement; is it the supplier or the procurement unit?

.....  
.....

13. How often are procurement plans used?

.....  
.....

14. How often are you funded as the procurement unit annually to effect your duties?

.....  
.....

15. Is the funding usually enough?

.....  
.....

16. Has the hospital ever suffered any shortage of materials?

.....  
.....

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## MULAGO RESEARCH AND ETHICS COMMITTEE (MREC)

P.O.BOX 7051, Kampala, Uganda  
Phone: 256-041554008  
Fax: 256-042532519

20/08/2006

Mr Pule Samuel Reg.No. BSP/5237/32/DU, Kampala international university  
P.O.Box 20000 Kampala Uganda, Tel: 0782889502  
C/o Mr Matovu and Dr Y.B. Nyaboga  
(Associate Dean School of business and management at KIU, Tel: 0752843919,  
041266813, Fax: 041501974 Email: [admin@kiu.ac.ug](mailto:admin@kiu.ac.ug).)

Dear Mr Pule Samuel

I am writing to you regarding your submission for approval to MREC entitled "contribution of the procurement department to mulago hospital – a case study of mulago hospital". We have reviewed your study protocol and think it constitutes negligible risk to the study subjects and to the institution.

We are therefore approving your request to pursue additional requirements to enable you to carry out this study at Mulago Hospital.


However your supervisors (as listed in your protocol) will take direct responsibility for ensuring you conform to good research and ethical practice.

This approval is invalid if there is any change of your study protocol, consent forms, or addition of other investigators not described in your submission without informing MREC. If you wish to undertake any protocol deviations, you should seek advice from MREC. You will inform MREC of any matters that may arise in the course of your study that are not protective of the rights and welfare of research subjects and the interests of Mulago hospital.

You will be required to submit a copy of your report at the end of your study to MREC.

This letter is valid for 6 months from 15<sup>th</sup> September 2006. You will be expected to apply for an extension after which.

Sincerely,

  
Dr. Opio C.K. (Secretary, MREC)  
For Dr Seggane Musisi (Chairperson, MREC)

MINISTRY OF HEALTH  
MULAGO HOSPITAL  
P.O. BOX 7051, KAMPALA

c.c. Director Mulago Hospital  
c.c. Heads of Departments  
c.c. File