

**PROCUREMENT PROCEDURES AND COST PERFORMANCE.
A CASE STUDY OF PARAGON HOSPITAL BUGOLOBI**

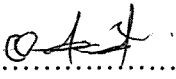
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**A RESEARCH DESERTATION SUBMITTED TO THE COLLEGE OF ECONOMICS
AND MANAGEMENT SCIENCES IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF A BACHELOR DEGREE IN
PROCUREMENT AND SUPPLY CHAIN MANAGEMENT
OF KAMPALA INTERNATIONAL
UNIVERSITY**

JUNE 2014

DECLARATION

I **OWINYI EMMAUEL** a student of KIU hereby declare that this work is my original work to the best of my knowledge and belief. It had never been submitted for the award of Bachelor's Degree in any institution of higher learning.

Sign 

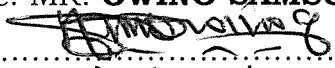
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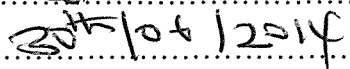
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APPROVAL

This research has been duly supervised and submitted with my approval as a university supervisor

Name: MR. **OWINO SAMSON**

Sign.....

Date

DEDICATION

I dedicated this work to my father MR. OKULLU NIXON and family members
God bless you.

ACKNOWLEDGEMENT

I would like to thank the management of Paragon Hospital for giving me the opportunity to carry out this field research. The entire procurement class for the support, guidance and encouragement given to me during the completion of the report.

Special thanks go to my supervisor Madam Kabasinguzi Christine who has given me the expert advice and guidance in production of this report. Thank you so much, God bless you Madam.

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ABSTRACT

The major objective of the study was to evaluate that the contribution of purchasing procedure to cost reduction. The major objectives were to establish the different procurement procedures adopted in a private organization, examine the different cost and ways of reducing cost in a private organization and relationship between procurement procedures and cost reduction in a private organization.

The research adopted a cross sectional research design where 30 respondents were issued with questionnaires to obtain primary data. Secondary data was obtained from journals, text books and other academic publication about their party logistics and cost efficiency. Data was analyzed using statistical package for social scientists.

The finding created that, purchasing originate outside the purchase department, since the main function of the department is to buy on behalf of the rest of the organization. The user department usually initiates the first set in the procurement process. The department identifies their needs and specifications and forwards, them to procurement officer through purchase requisition. This document normally serves three purposes and these include, requesting for the required goods and services to be purchased, to provide a record of audit, reference and authorize expenditure for the purpose. Other procedures revealed included specifications, evaluation contracting and post contracting.

CHAPTER ONE

1.0 Introduction

This chapter contains background of the study, statement of the problem, purpose of the study, objectives of the study, research questions, scope of the study, significances of the study and the structure of the report.

1.1 Background of the study

Private organization in Uganda have purchasing procedures with stems from need identification which is normally done by the user department clearly detailing their requirements, specifications drawing which is also done by the user department but with assistance of technical staff, advertisement done by the procurement staff to attract a pool of potential suppliers, supplier sourcing mainly after approval of the specification and establishing whether the item is a re-buy or a new, evaluation undertaken by evaluation committee to determine the best supplier and contract award to the best supplier (Burt et al 2003).

According to Kakuru (2004) costs can be defined as expenditure incurred in purchase of goods or services plus expenses incurred in the daily operations of a firm in order to learn revenue. These costs may be quantifiable or non-quantifiable, direct or indirect. A number of factors may increase costs of a firm for example increased purchase of raw materials, stock out costs, inventory and material handling, sourcing for providers to mention but a few (Lysons, 2003) in fact an analysis of manufacturing firms shows that in general the argest part of cost of goods sold appear to be taken up by purchased materials n firms relationships (Ross 2003). As a result of the concern to ensure cost reduction firm have improved their supply chain operations Burt, 2003).

Many companies and organizations on independent arrangement have put in place procurement procedures to assist in acquisition of various goods, services and works. The procurement procedures of the private companies vary

from company to company. Whereas some companies adopt a procedure related to public procurement procedures like starting the procurement process with procurement planning, other are reactive and undertake procurement as they arise (Geere, 2008).

Mandate of paragon Hospital Bugolobi

Paragon hospital Kampala limited was incorporated as a limited company on 8th September 2006 and commissioned on 1st February 2007 as a private for profit healthcare facility owned by healthcare and management solutions limited. The hospital is mandated to be at the centre of excellence in provision of medical care restore in the healthcare industry by investing in ultra-modern hospital facility. The growing need for services in out patient, in-patient, safe mother-hood, pediatrics , laboratory, dental pharmacy and Orthopedics led to establishment of different departments like administration, finance and other departments but the hospital still faces inadequate established procurement procedures, inadequate requisition and specification drawing, supplier evaluation and who to undertake a cost analysis.

1.2 Statement of the problem

Although firms have put in place elaborate procurement to assist in undertaking different procurements, lack of clear procedures like requisition originating from procurement department instead of user department, unclear specification, inadequate skills for supplier evaluation and all these seem to lead to costs escalation.

Although, the organization has tried to improve on the procedure less success has been registered.

1.3 Objective of the study

- i. To establish the different procurement procedure adopted in a private organization.

- ii. To examine the different cost and ways of reducing cost in a private organization.
- iii. To examine the relationship between procurement procedures and cost reduction in a private organization.

1.4 Research questions.

- i. To establish the different procurement procedure adopted by a private organization.
- ii. To examine the different costs and ways of ensuring cost reduction.
- iii. To examine the relationship between procurement procedures and cost reduction in a private organization.

1.5 Scope of the study

Content scope

This was confined to different procurement procedures, ways of reducing costs and relationship between procurement procedures and cost reduction in organizations.

Geographical scope.

This was confined to paragon hospital Bugolobi as it has challenges regarding procurement procedures.

Period scope.

Confined to the period between 2006-2014 as this is the period from incorporation to the present day. However, more literature was reviewed a different scholars on purchasing procedures and cost reduction in a private organization.

1.6 Significance of the study

The study is expected to be useful to management of paragon hospital assessing the different purchasing procedures that can be used to improve performance in the purchasing department in a private organization.

The study is also hoped to be importance to other researchers in understanding the different procurement procedures adopted by organization and can use the research as a source of reference.

1.7 Structure of the report.

CHAPTER ONE; this covers background of the study, statement of the problem, objectives of the study, research questions , scope of the study, significance of the research and structure of the report.

CHAPTER TWO; covers literature review on physical distribution and customer satisfaction.

CHAPTER THREE; this methodology under which the study was carried out. It contains; research design, study population, sample size, data collection methods and limitation of the study.

CHAPTER FOUR; this covers presentation of findings, interpretations and discussion of findings.

CHAPTER FIVE; covers summary of findings, conclusions and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter contains the procurement procedures adopted by organizations, ways of cost performance and cost performance.

2.1 Definition of key words in the study.

2.1.1 Procurement procedures

Ross (2003) defines procurement procedures as steps and stages an origination has to undergo to ensure that the right product, service or works is in place at the time and the right place and in the right amount. Purchasing according to Lysons (2006) may be centralized or decentralized a central purchasing group will usually become the spokesman for the organization with its suppliers which permits the condition of requirements for the operating units, it makes easier to allocate resource in the organization, lower operating cost while decentralized purchasing can also be completely decentralized allowing full autonomy in each of the units. Its advantage is that the local buyers will have better knowledge of items to be supplied (Baily and farmer, (2003).

2.2 procurement procedures adopted by organization.

2.2.1 Requisition.

According to Baily (2006), purchasing originate outside the purchase department, since the main function of the department is to buy on behalf of the rest of the organization. The user department usually initiates the first set in the procurement process. The department identifies their needs and specifications and forwards them to procurement officer through purchase requisition. This document normally serves three purpose and these include to request for the required goods and services to purchased, to provide a record of audit and reference and authorized expenditure for the purpose (Ross 2003).

Monczka (2005) states that, the buyer checks that the purchase request has been properly authorized by referring to an official list of authorized signatories with their cash limits, description of the goods on the requisition is also checked after referring to records corrections may be needed before communicating with suppliers usually after the department has received the data stamped and passed on to the buyer.

It is also important to note that, when a need arise in the company, the responsible departmental head raises a requisition and the standards, specifications, qualities and terms of delivery will be determined by that relevant departments or sections in the company. The company's purchasing department begins its purchasing activities after such requests for purchase from the company's various department or sections. In most cases these requisitions emanate from a purchasing plan in an organization. The purchasing plan normally puts in place different items that are to be purchased at a given period of time and normally purchasing requisition stems from this arrangement.

2.2.2 Specification

According to Monczka (2005), after a requisition has be made and item to be procured is a new buy, the user department prepares the specification to include quality, purpose and all the features necessary to be on the product and agreement on the services level agreement. All these specification have to be tendered to the suppliers.

2.2.3 Solicitation of bids.

When the company identification a commodity or service that meets the bid requirements, an invitation to Bid document will be mailed to all vendors on the vendors list for that specific commodity. The bid document servers as notification or announcement of a competitive opportunity. The bid will reference the name, date, and time for the bid/ proposal. Complete documents

are also accessible via the purchasing department website in case of electronic bidding for companies that electronically complacent invitation to bid documents will be sent out in sufficient time as to permit full and free competition. Specifications, restrictions, and conditions that have the effect of limiting bidding will be avoided. Bid or proposal documents contain.

2.2.4 Request for submission of estimates

The request for submission of an estimate will specify basic requirements such as quality performance, standards, material, dimensions, inspections and methods of inspection. The request for submission of estimate will normally be made to more than one suppliers candidate on a competitive basis except when such request for submission has to be made to one particular supplier candidate for patent reasons or other exclusive proprietary rights, in order to provide a fair opportunity for all supplier candidates to understand the basic requirements so that they can submit accurate estimates, a meeting may, if necessary, be held to brief them on the requirements.

2.2.5 Submission of estimates

Monczka *etal* (2005) argues that, specification conforming to the requirements specified at the time of the estimate request by the tender deadline. Supplier candidates participating in e-commerce should enter the estimate amount in the company's designated electronic estimate system by the specified deadline, and append electronic files of their estimates and estimate specifications to the system. (as a rule, the company requests all supplier candidates to take part in e-commerce. Supplier candidates that do not participate in e-commerce must post or submit directly to the purchasing section their sealed estimates and estimate specifications.

The submitted estimate specifications will be examined by purchasing department and the relevant department to ensure that they conform to the requirements set by the company. If the content of any submitted estimate is

not in conformity with those requirements. The company may ask the supplier candidate to submit additional information or to modify the content of the estimate.

In order to ensure impartiality, estimates and estimate specifications registered using the electronic estimate system are secured by system-based arrangements so that they can not be accessed by the company's employees until the tender deadline. Estimates and estimate specifications that are submitted sealed are opened on the day of the tender deadline in accordance with the official responsibilities and authority stipulated by the company.

2.2.6 Negotiations for the decision on pricing

Both Burt (2003) and Lysons (2006) agree that, companies normally enter into negotiations for contract prices and other conditions with the supplier whose estimate is most beneficial to the company, selected from among those suppliers candidates whose estimates have been approved by the company, following the examination will be notified of the result of the examination provided that the information which the company consider should be kept confidential from non-parties will be excluded. The company may use more than one supplier candidate for the purchase of materials, products, and services necessary for the stable supply of goods and services. The supplier candidate offering the best terms will be considered to have the right of first negotiation.

2.2.7 Selecting of suppliers.

This may be a two stage process, involving first selecting a brand, make or specification and second selection of suppliers. The simplest buying situation is the straight re-buy, when something has recently been purchased from a satisfactory supplier and the same thing is possibly required again. Repeat is normal and the possible changes are not always considered. Reasonable

interval of time, however, it good practice to contact other suppliers and see what market has to offer even though the existing supplier seems to satisfactory (Baily, 2003).

In other words the purchasing department selects the suppliers to whom the requests for the submission of estimates are to be made. The selection of a supplier is normally from a list of approved suppliers formulated. In selecting the supplier, the quality, performance, and terms of delivery of the products or services will be considered as well as their adaptability to and compatibility with the company's existing equipment or facilities. The capacity and past experience of each supplier candidate will also be taken into consideration.

2.2.8 Evaluation of the suppliers

After different suppliers have been put the approved list, evaluation sets in and this majority done under preliminary, detailed and financial capabilities. The suppliers of different items are compared regarding their capabilities and ability to deliver in time and potential long term benefits (Ross 2003). Kotler (2002) states that particular attributes are important in influencing the relationship between suppliers and customers that is to say; quality products and services, on time delivery ethical corporate behavior, honest communication and competitive prices. Other factors include repair serving capabilities, geographical location, reputation among others against which the buyer will rate suppliers and identify the best suppliers (Achian 2000). In considering the question quotations and tender price analysis is done by break even analysis, discounts, possibly by negotiations and this helps to give full details of specification, quality, contract conditions and date required and asks the recipient to offer their prices for the goods services or works.

2.2.9 Ordering

According to Baily (2003) an order is an instruction to do something such as supply of goods or carry out work. Lysons (2006), states that on receipt, the

requisition or bill of material will be checked by the buyer for accuracy, conformity to specifications and purchase record to establish by the whether the purchase is a re-buy request or a new buy request. If the items are a standard re-buy request for an item that has been previously purchase from a satisfactory supplier at an acceptable price, a repeat order may be issued. If, however the item is a new buy the following steps will be involved. Enquiries or request for quotations (RFQs), quotations received, negotiations, purchase order issued, an acknowledgement is required the vendor.

Baily (2003) further states, that in many case the order document will incorporate both the order and the contract details. The supplier signs and returns this acknowledgement copy to show that the has been received and accepted at price terms and conditions stated thereof.

2.2.10 Conclusion of contract

Purchases will normally be made based on a written purchase contract. The basic purchase contract may be concluded separately from individual purchase contracts under which purchases may be made from time to time.

2.2.11 Delivery and inspection

Suppliers are obliged to strictly observe the contractual time of delivery. The details of the delivery schedule, however, may be adjusted following negotiation with the relevant department or section within the company. The delivered materials, products or services, however, may also have to undergo an ntermediate inspection during the course of their processes.

2.2.12 completing the transactions

It occurs when the goods are delivered and accepted and payment is dully made. Just as the purchasing section does not normally carry out the main responsibilities for the completion stage (Baily, 2003). Suppliers section must deal with suppliers in connection with discrepancies and quality or price rejections.

It is also important to note that, both the company and each of its suppliers and supplier candidates are responsible for strictly controlling the information concerning their respective businesses and shall not disclose to any non-parties such information which they have come to know through their dealings, without obtaining prior written permission from the other party or parties. Should the supplier be unable to deliver the material, product or service on the specified data of delivery or not at all, the company may require the supplier to pay a penalty and or compensation for the damage caused by the failure to deliver on time or not all. Should any dispute arise between the purchaser and supplier over the performance of the contractual terms and conditions, the dispute shall be interpreted and resolved in accordance with Japanese laws.

1.3 Definition of cost

Costs are the necessary expenditure that must be made in order to run a business. Every factor of production has a cost associated with it, labour, fixed assets and capital (Kakuru, 2004).

According to Lysons (2003) cost is the amount of expenditure incurred on a given item.

1.3.1 Different types of costs

Many costs are observed and easily quantifiable. In such cases there is a direct relationship between cost of input and quality of output (Kakuru, 2004).

According to Lysons (2003) costs can be classified in several ways according to the purpose for which they are required. The most usual classifications are direct and indirect costs.

2.3.2 Direct costs.

Are costs that are directly attributed to the production of output. They comprise direct wages materials and expenses that can be allocated to specific cost units or centers.

2.3.2 Indirect costs

Are costs that are not directly related to the volume of output. Indirect costs in a manufacturing plant may include supervisors' indirect labor, factory supplier used, taxes, utilities administrative overheads, selling overheads and other expenses that cannot be allocated to give cost centers. Costs can also be classified as,

2.3.3 Fixed costs

These are costs which to be unaffected by variation in volume of output. These costs do not change over a period of time and don't vary with output for example salaries rent, tax insurance, fixed costs also can be called indirect costs as they are directly associated with the final product. Fixed costs have to be paid even if the company is not producing any goods (Bailey *etal* 2003).

2.3.4 Variable costs

These are costs that tend to vary directly with variations in volume of output. When increases variable cost also increase for example material costs, electricity. These can be called direct costs as they are directly associated with production.

2.3.5 Semi-variable costs

These are costs that are partly fixed and partly variable for example a person working for the company may have a fixed salary but may also earn commission on sales.

2.3.6 Product and period costs.

Gower (2002) assert that the concept of product and period cost are similar to direct and indirect cost. Product costs are those that the firms accounting system associates directly with output and are used to value inventory. Under direct or variable costs accounting system, only direct or variable costs are charged to production. Indirect costs such as property taxes, insurance, depreciation on plant and equipment. Period costs are charged as expenses to the current period.

2.4 Ways of ensuring cost performance in private organizations

2.4.1 Cost reduction programme and cost management

A collaborative cost reduction a program beyond product development is merged with inter organizational cost management. Kakuru (2004) distinguish three domains such as cost management during product development, cost management during manufacturing and improvement of the efficiency of the buyer-supplier interface or process improvements. They identify several cost management techniques to support each of these domains and focus on their inter-organizational use.

2.4.2 Standardization

Standardization is concerned with getting agreements on generic specification or adopting of the items specified. By this companies can decide to use the same type of product to reduce on the variety of items in turn reduces cost.

2.4.3 Total quality management

Jayson (2003) argues that organizations can reduce on their costs through total quality management. Total quality management can be defined as a way of managing an organization so that every job, every process, is carried out right, first and every time. This means that each stage of manufacture or service is 100 percent correct before it proceeds. With total quality management costs like costs of rework on poor quality items, warranty costs when poor quality

items are derived to customers and down grading are reduces hence helping an organization reduce its costs.

2.4.4 Supplier relationships

Lysons and Gillingham (2003) argues that supplier's willingness and ability to maintain quality and reduce costs enhances the organization's ability to achieve cost reduction. This also can be through cost sharing programmes with the supplier as a result of the relationship.

In addition, lee and Whang (2000) further asserts that supplier involvement in cost reduction efforts has been concentrated mainly in the product development phase of the product life cycles often this concentration on the early phase of the product life cycle is defined with referral to the so called Blanchard (1978) statistic "that says that 80 % of the manufacturing costs determined or committed during product design and development" therefore it is even more surprising to find extensive review of literature that compares the cost reduction and design phases, the literature on cost reduction efforts in later stages of product life cycle is rather limited (Kakuru, 2004).

2.4.5 Economies of scales

Outsourcing can be defined as the strategic use of resources to perform activities traditionally handled by internal staff and their recourses to specialized efficient service providers. Manczka etal (2005) asserts that organizations in a bid to reduce costs have gone an to outsource their non core activities to those firms that can perform them better at a reduced costs, also with outsourcing capitalization and fixed costs are reduced. Such activities nay include car part management, security, catering, cleaning.

2.4.7 Supply management and sourcing

Ralph (2003) and Cavinato etal (2006) argue that a firm can reduce costs hrough competitive bidding to significant purchases. That is use a vary effective tool to determine if the organization has been paying premium prices

for materials or services invite only qualified bidders and maintain the integrity of the process by not revealing individual bid information to competing bidders. They further argue that strategic sourcing initiatives can be used to reduce costs. This is by determining key materials and service items necessary for company and develops better sources and methods of supply for those items.

2.4.8 Supplier integration

Roberta (2001) argues that reduction of the number of suppliers of materials or services can be the other way of reducing costs. This can be done by finding suppliers with multiple capabilities or ability to manage other suppliers or full service suppliers. He adds that within a reduction in the supply bases costs associated with management of suppliers. He adds that with a reduction in the supply bases costs associated with management of suppliers will go down like supplier development costs, monitoring them. His view is supported by Manczka et al (2006) who also say supply base reduction can contribute to cost reduction.

2.4.9 Change supplier relationship; partnerships and strategic alliances.

Bushel (2004) argue that by implementing longer- term contracts, strategic partnerships or alliances a firm can be in position of reducing its costs. This is because with supplier relationships there will be reduction of acquisition, process or other costs of ownership.

2.4.10 inventory and materials management

Eliminate obsolete inventory, Cavinato et al (2006) argue that when organizations review their records, perform physical inspection of inventories they will be able to determine and eliminate obsolete items. This is because of the ability to determine which materials are no longer required for operations. Therefore through elimination of obsolete items costs will be reduced.

Reduction of number of inventory location' Cavinato (2000) argues that within the use of supplier owned or supplier managed inventories, drop shipments, or

warehouse consolidation to obtain the services, required with fewer inventory locations reduces organizational costs. This arises as a result of reduced costs of managing warehouses. Marilyn (2003) supports Cavinato and argues that one way to reduce costs is to place inventories/ responsibility for management of inventory where they can be most efficiently sided and managed to meet user requirements at the lowest costs. In some cases the location that location may be at a supplier facility or may mean management of inventories at user locations.

2.4.11 Reduces average size of inventories.

Evaluate safety stock levels and implement just in time techniques with frequent deliveries apply Pareto or ABC analysis, study inventory order quantities and order points to ensure that appropriate management techniques are applied to achieve the required service level with the smallest possible stocks (Marilyn, 2003).

2.4.12 Price and cost analysis and cost reduction initiatives.

Analyze prices and costs of materials and service to determine cost reduction potential. This requires knowledge of market and processes for the product and service categories analysed for example identified of purchased materials and services that are high profit for their supplier and may provide negotiation opportunities to reduce costs, materials and service that suppliers can make at a lower cost by changing processes or materials (Hennry, 2002).

2.5 Relationship between procurement procedures and cost performance in private organizations.

Lysons (2003) and Bailey et al (2003) both agree that issues to do with acquisition of inventory handling of materials can be a source of costs to manufacturing firms. Acquisition activities may lead to cost such as preliminary costs (Preparing the requisition, vendor selection, and negotiation),

placement, receipt of goods material handling and inspection). A proper procurement plan enables swift procurements and .

Manczka et al (2005) argue that supply base management activities can be the other of costs to a firm. These may include such activities like supplier development, supplier awareness programmes, relationship management, and supply base reduction among others. Though these activities are important to a firm they involve a cost element which increases costs of a firm. The adoption of streamlined procurement procedures assists in reducing costs as a result of supply base reduction.

Lysons and Gillingham (2003) have pointed out human resource activities as a source of costs every organization needs human resources in order to perform and run efficiently and effectively. Activities such as recruitment, selection, training, induction, motivation and reward of these human resources need to be undertaken and in doing this costs will increase. When the procurement procedures are clear, the organization is able to reduce the number of staff engaged in the ordering and receiving cycle.

Whenever goods are purchased they need to be transported to the buying firm's premises and in doing this there are a lot of costs, that are involved. These include transportation fees, costs of late delivery, damage to the goods, insurance costs to mention but a few (Sum et al, 2001). The organization with clear procurement procedures is able to forecast the likely problems and mitigate them.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter put forward and described the research methods and reasons that resources were used in the study. It entails research design, source data, study, target population, sample size processing and analysis and the limitations of the study.

3.1 Research design

A case study and cross sectional research design was used since this study emphasis is on a particular organization. Cross section research design will be used to determine the magnitude of procurement procedures on cost efficiency.

3.2 Sampling design and size.

The total sample comprised of both employees and clients of paragon Hospital Bugolobi. There are 4 departments at the hospital and the target population of 100 employees attached to 4 departments. From this 30 respondents were selected as follow;

Table1 composition of respondents.

Departments	Sample
Administration	12
Stores	5
Procurement	4
Finance and accounting	9
Total	30

3.3 Source of data

3.3.1 Primary data

This refers to first hand data which was collect using questionnaires. These were administered to employees and clients of paragon hospital Bugolobi as in the sample above.

3.3.2 Secondary data

This data was collected through desk research where procurement books, journals from paragon hospital Bugolobi departmental reports and memos were examined. The aim of secondary data was the answer to be question about the impact of procurement procedures and cost performance.

3.4 Data collection instrument

The research used both primary and secondary data, the instrument to be used include;

3.5 Questionnaires

This instrument was self administered to the staff of paragon hospital Bugolobi and its accessible clients and a total of 30 respondents were issued with questionnaires.

3.6 Measurement of variable

The research measured procurement procedure by assessing the different aspects in the procedures from requisition up to contract management and cost performance measured by assessing how supplier relationship management, economies of scale and cost management programs assist to reduce costs in organizations.

3.7 Data analysis and presentation

The data collected was analyzed manually and with the aid of computers by way of descriptive statistics such as table, bar charts, percentage and frequencies. Data was then be edited and recorded so as to make it useful and understandable.

3.8 Limitation of the study

In the process of carrying out this study, a number of constraints were met. These constraints however did not affect the results of the study although they hampered the speed at which the study was carried out and these are included the following

i. Limited source of information.

Since many websites required subscription before accessing them, it was hard to access some relevant information about the study.

ii. Scarcity of time

Since this study is conducted together with responsibilities, there was security of time however, the researcher tried to budget his time properly to see to it that, he finishes in time.

CHAPTER FOUR

PRESENTATION, INTERPRETATION AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter presents the presentation and discussion of findings. The findings are summarized from the primary sources of data, presented in table showing frequencies, graphs and percentage contribution.

The chapter has two sections. The first section presents the demographic features of the samples used in the study, while the second section presents the findings on relationship between procurement procedures and cost efficiency.

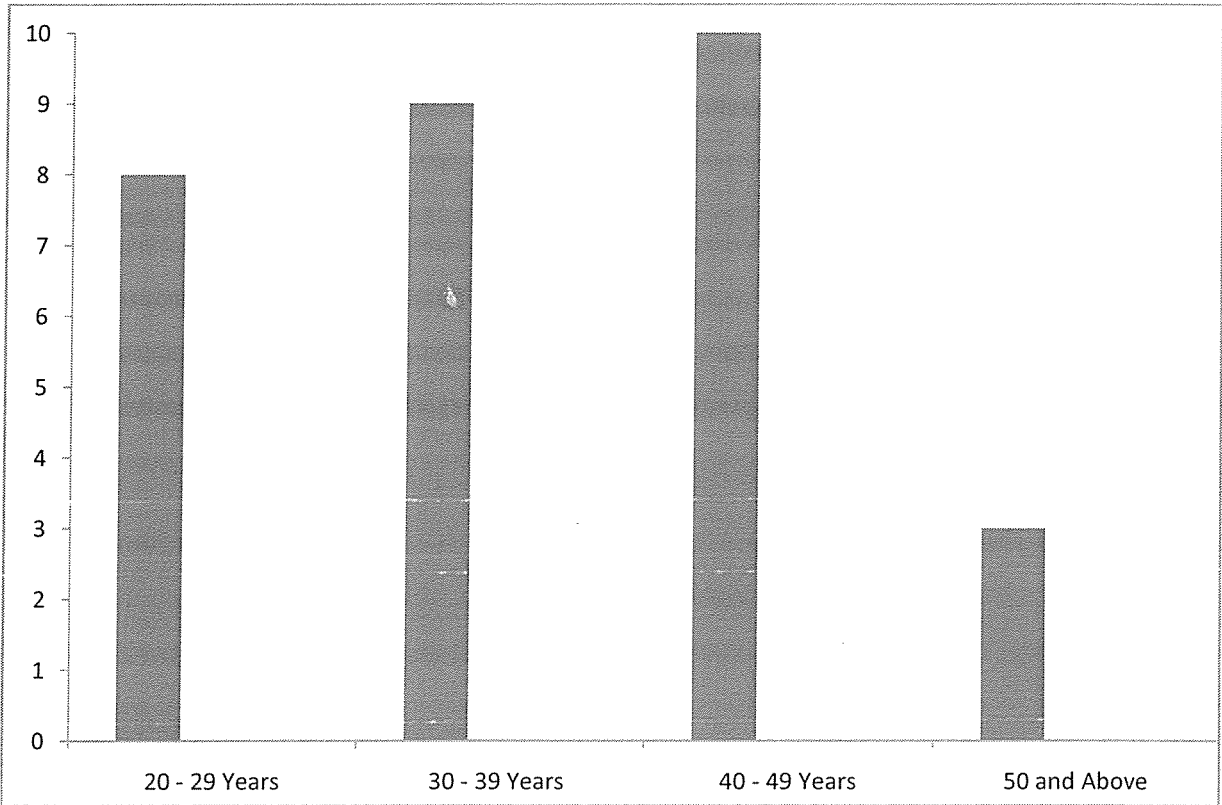
4.1 Response rate of the respondents.

Table 2: Gender of respondents

		Frequency	percent	Valid percent	Cumulative Percent
Valid	Male	21	70.0	70.0	70.0
	Female	9	30.0	30.0	100.0
	Total	30	100.0	100.0	

Majority of the respondents were male comprising of 70% and the rest female constituting 30 % of the respondents.

Figure 1 age of respondents



Source; primary data

Majority of the respondents were aged between 40 and 49 years. This was followed by those aged between 30 and 39 years and then 20 and 29 years. The least among the respondents were those aged 50 years. This implies that majority of the respondents were of a recommendable age and could therefore give valid responses.

Table 3 level of education

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Certificate	3	10.0	10.0	10.0
	Diploma	12	40.0	40.0	50.0
	Degree	9	30.0	30.0	80.0
	Masters	6	20.0	20.0	100.0
	Total	30	100.0	100.0	

Source; primary data.

Majority of respondents constituting 40% had attained diplomas as far as level of education is concerned this was followed by those with degrees (30%). 20% of the respondents had mater and 10% had certificates. This implies that the respondents were of the recommended level of education and could give valid responses.

Table 4 experience in the organization

	Frequency	Percent	Valid percent	Cumulative percent
Valid 1-3 years	11	36.7	36.7	36.7
4-7 years	12	40.0	40.0	76.7
8-11 years	7	23.3	23.3	100.0
Total	30	100.0	100.0	

Source; primary data

Majority of the respondents that is 40 % had experience between 4 and 7 years. This was followed by those with experience between 1 and 3 years. 23.3 of the respondents had experience between 8 and 11 years. This implies that the respondents had enough experience in the organization to give valid responses.

4.2 Procurement procedures

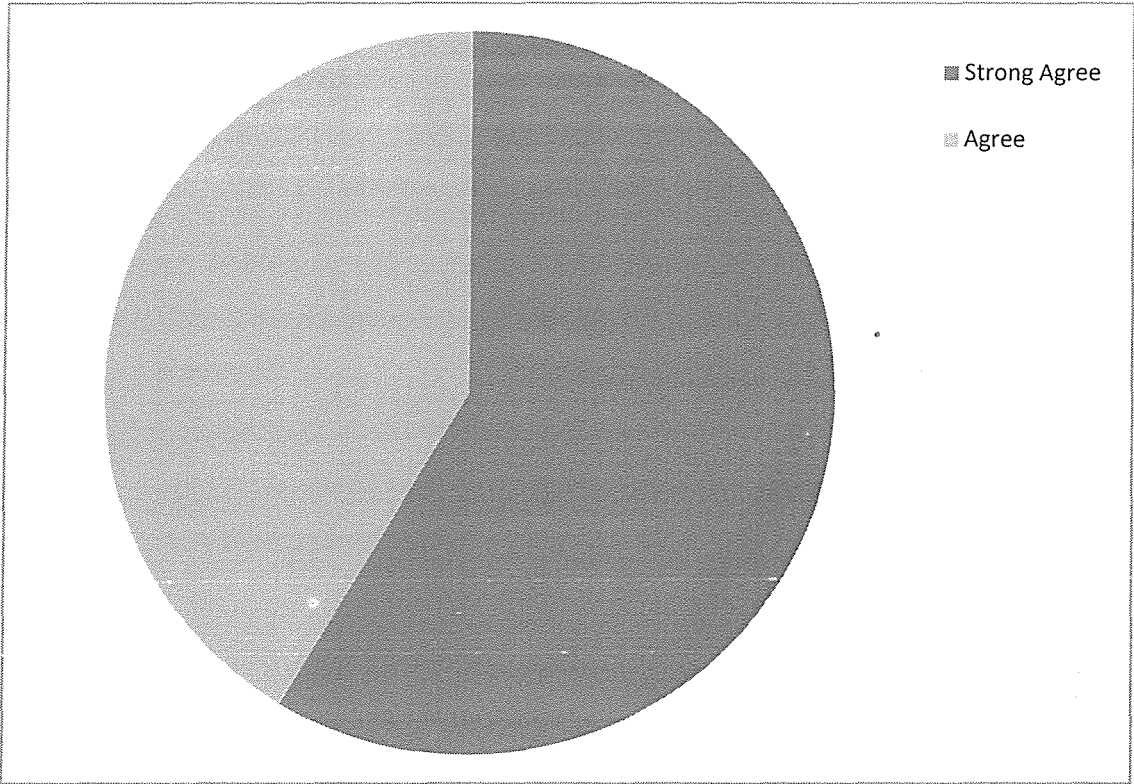
Table 5 contracting is also procurement procedure

Responses	Frequency	Percent
Strongly agree	17	56.7
Agree	8	26.7
Not sure	5	16.7
Disagree	0	0
Strongly disagrees	0	0

Source; primary data

On the of procurement procedures, majority of the respondents comprising of 56.7% strongly agreed that contracting is a core procurement procedure. 26.7% of the respondents agreed that indeed contracting is one of the procurement procedures 16.7% of the respondents were not sure. This implies that organization can use contracting as one of the procurement procedures. From the table above, none of the respondents disagreed with the assertion and this means they all expressed awareness of the variable.

Figure 2 Evaluation done by competent staff



Source; primary data

When asked about evaluation majority of the respondents strongly agreed that if evaluation is carried out by competent staff it will improve on procurement procedures. This implies that if organizations are to improve on the effectiveness of the procurement procedures evaluation should be carried out by competent staff.

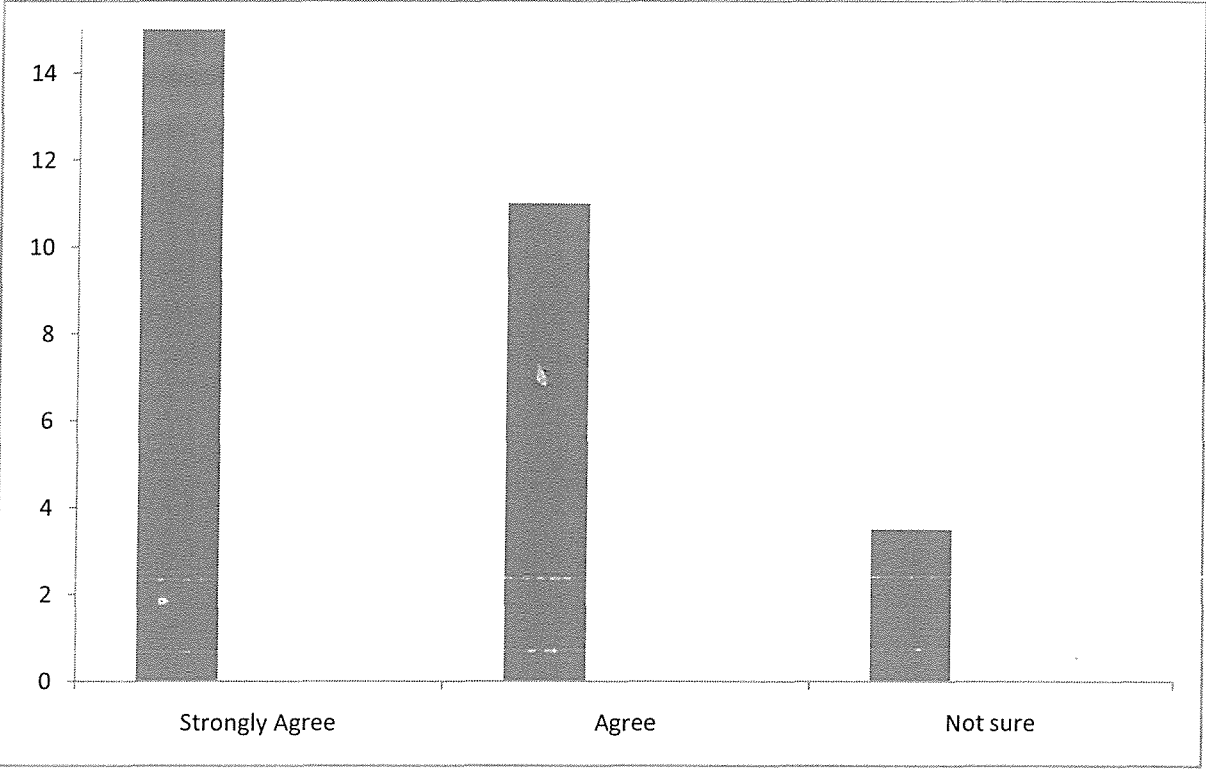
Table 6 specification drawn before sourcing

	Frequency	Percent	Valid percent	Cumulative Percent
Valid strongly agree	16	53.3	53.3	53.3
Agree	10	33.3	33.3	86.7
Not sure	4	13.3	13.3	100.0
Total	30	100.0	100.0	

Source; primary data

Majority of the respondents that is 53.3 % strongly agreed that when specifications are drawn before sourcing there will be improvement in the effectiveness of the procurement procedures. 33.3 of the respondents agreed that specification drawn before sourcing can improve on the effectiveness of the procurement procedures.

Figure 3 User department submit requisitions.

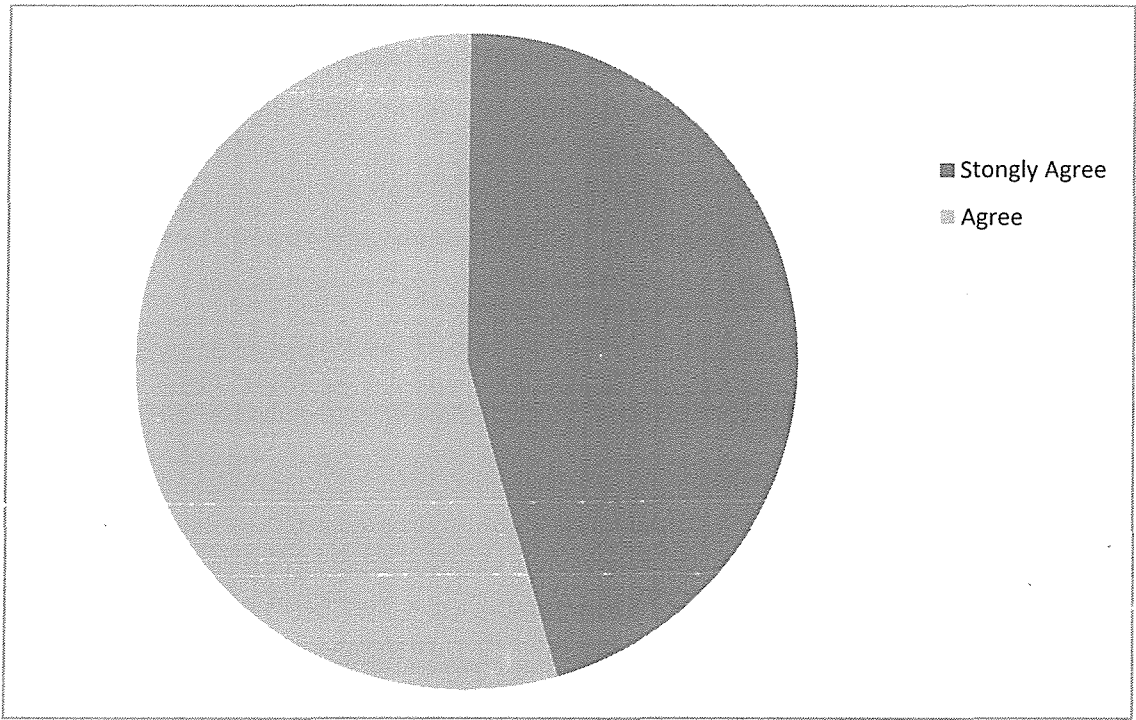


Source; Primary data

When asked about the user department submitting requisition majority of the respondents strongly agreed that when user department submit their clear requisitions in time it can improve on the effectiveness of the procurement procedures. This means that for organizations to become effective in procurement procedures user departments need to submit their requisition in time and they should be clear.

4.3 Cost performance

Figure 4 cost reduction programs can reduce costs.



Source; primary data

For the case of cost reduction majority of the respondents strongly agreed that cost reduction programs can reduce costs in the organization. Organizations therefore need to put in place reduction programs in place so as to be able reduce costs reduce costs and be able to compete favorable with other firms.

Table 7 target costing reduces costs in the organization.

	Frequency	Percent	Valid percent	Cumulative Percent
Validstrongly agree	13	43.3	43.3	43.3
Agree	8	26.7	26.7	70.0
Not sure	9	30.0	30.0	100.0
Total	30	100.0	100.0	

Source; primary data

Majority of the respondents agreed that target costing in the organization assist to reduce costs in the organization. Many of the respondents agreed that this can reduce costs in the organization. Many of the respondents over 43.3 percent agreed that target costs assist to improve organizational.

Table 8 continuous improvement also reduces costs.

	Frequency	Percent	Valid percent	Cumulative Percent
ValidStrongly agree	12	40.0	40.0	40.0
Agree	10	33.3	33.3	73.3
Not sure	8			
Total	30	26.7 100.0	26.7 100.0	100.0

Source; primary data

From table 8 above, continuous improvement can reduce costs in the organization. Many respondents over 70.3 percent agreed that, if the organization undertakes contentious improvement in the organization.

Table 9 product redesigning assist to mitigate costs

	Frequency	Percent	Valid percent	Cumulative Percent
Valid strongly agree	9	30.0	30.0	30.0
Agree	7	23.3	23.3	53.3
Not sure	5	16.7	16.7	70.0
Disagree	4	13.3	13.3	83.3
Strongly disagree	5	16.7	16.7	100.0
Total	30	100.0	100.0	

Source; primary data

Many of the respondents 53.3 percent agreed that product redesigning assist to reduce costs in the organization. Only 16.7 percent of the respondents agreed that product redesigning is vital in mitigating costs in the organizations.

4.4 Relationship between procurement procedures and cost efficiency

Correlations.

		Procedures	Cost
Procurement procedure	Pearson correlation		572
	Sig. (2 tailed)		706
	N	30	30
Cost management	pearson correlation	572	1
	Sig. (2-tailed)	706	
	N	30	30

Source; primary data

From the above table it is evident that procurement procedures have a positive relationship with costs in organization represented by pearson correlation 0.572**. This implies that, if the organization follows procedures with out deviation costs like inventory costs and other administrative costs will be reduced in the organization.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

Contains summary of findings, conclusion and recommendations on procurement procedures and costs efficiency.

5.1 Summary of findings on procurement procedures

The findings revealed that, purchasing originate out side purchase department, since the main function of the department is to buy on behalf of the rest of the organization. The user department usually initiates the first set in the procurement process. The department identifies their needs and specifications and forwards them to procurement officer through purchase requisition. This document normally serves three purpose and these include requesting for the required goods and services to purchased, to provide a record of audit and reference and authorize expenditure for the purpose. Other procedures revealed included specifications evaluation contracting and post contracting.

From the finding in chapter four, many of the respondents agreed that, supplier relationship can reduce costs in organization standardization was also revealed as a core method of reducing costs in the organization. A collaborative cost reduction program beyond product development is merged with inter organizational costs management. Many of the respondents agreed that, cost reduction program and cost management can be used reduce costs in the organization. The research further revealed that, target costing and value engineering can reduce costs in the organization. Many of the respondents agreed that, continuous improvement in technologies can reduce costs and product redesigning and increased product function is used to reduce costs in organizations.

The relationship between procurement procedures and cost efficiency is paramount. If acquisition activities, placement costs (order preparation, stationary, and postage), and post placement costs (progressing, receipt of goods, material handling and inspection are clearly met it assist to reduces costs in the organization. Supply base management activities can be other source of costs to a firm. These may include such activities like supplier development, supplier awareness programmes, relationship management, and supply base reduction among others.

5.2 Conclusion

Procurement procedures in the organization have been revealed to include procurement requisition, specification drawing, and supplier sourcing evaluation, contracting and post contracting activities.

From the findings above it be concluded that, cost reduction programs include; supplier relationship assists to reduce costs, standardization also reduce costs in organizations, supplier development assists in cost management and target costing can also assist to reduce costs in organization and clear procedures included needs identification, evaluation and contracting and post contracting activities.

The relationship between procurement producers and cost efficiency in the organization is paramount in the organization. The research revealed that if proper specifications are drawn by the user departments and sourcing properly undertaken competitive advantage in the organization can be achieved.

5.3 Recommendations

Clear study of cost centers and strategic cost analysis should be undertaken by the organization to ensure that the costs are drastically reduced.

The organization should put in place proper monitoring and evaluation of the stages in procurement to ensure that implementation is ensured.

Development of a prequalification list should be done in the organization to ensure that able supplier are put on the approved lists to reduce the costs of evaluating supplier when procurement comes up in the organization.

5.4 Areas for further study

The limited time and scope of the study that is to say only month, and only one case study prompts the researcher to suggest more empirical study in the following areas.

- I. Procurement process and service quality.
- II. Supplier relationship and cost efficiency

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APPENDICES

APPENDIX I: QUESTIONNAIRES

ON EVALUATION OF PROCUREMENT PROCEDURES AND COST PERFORMANCE

I am a student of Kampala international university business school pursuing a bachelor of procurement and supply chain management. This research is intended to get information which will be used and treated confidentially and solely for academic purposes.

A. BACKGROUND INFORMATION

Respondent's background

In this section tick in the box or fill in your response provided as appropriate.

1. Gender.

Male female

2. Age of respondents

30-39..... 20-29..... 50 years and above.....

3. Highest level of education

Certificate Diploma..... Master.....

4. Experience in the organization

3 years	4-5 years	6 and above
1	2	3

B) PURCHASING POCEDURES (Please tick in the appropriate box)

SA= strongly agree (1), A=agree, NS=not sure, (3), D= Disagree, (4)= strongly disagree (5).

NO. QUESTION	SA	A	NS	D	SD
1. Specifications are drawn before orders are made in the organization					
2. User department raises requisition for need of an item					
3. Evaluation of bidders is undertaken in the organization					
4. Top management endoses makes new buys and rebuys					
5. Contracting and post contracting is also undertaken as a procurement procedure in the organization					

C) COST PERFORMANCE

(Please tick in the appropriate box)

SA= strongly agree (1), A=agree, NS=not sure, (3), D= Disagree, (4)= strongly disagree (5).

NO.	QUESTIONS	SA	A	NS	D	SD
1	Supplier relationship assists to reduce costs					
2	Standardization also reduce costs in organization					
3	Supplier development assists in cost management					
4	Total quality management assist to reduce costs					
5	Target costing can also assist to reduce costs in organization					

In your opinion what measures can be used to improve procurement procedures in your organization.

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APPENDIX II: SCHEDULE OF ACTIVITIES

ACTIVITIES	OCT	NOV	DEC	JAN	FEB	MARCH
Topic and preliminary	///					
Literature review		///				
Data collection			///			
Data analysis				///		
Preparation of final report					///	///

APPENDIX III: BUDGET

NO.	ACTIVITIES	COSTS
1	Literature review and data gathering	100,000
2	Typing and printing	70,000
3	Data collection	50,000
4	Other activities	20,000
	Total	240,000