

**KAMPALA INTERNATIONAL UNIVERSITY**

**CHALLENGES FACED IN SUPPLY CHAIN  
MANAGEMENT**

**A CASE STUDY OF UGANDA CLAYS LIMITED COMPANY**

**BY**


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A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS  
AND MANAGEMENT IN PARTIAL FULFILMENTS OF THE AWARD OF  
BACHELORS DEGREE IN PROCUREMENT AND SUPPLY OF  
KAMPALA INTERNATIONAL UNIVERSITY

**SEPTEMBER 2007.**

## DECLARATION

I, Alfred Musanganya, declare to the best of my knowledge that this research work has never been presented to any other university for an award of degree.

Sign.....

Date.....20/09/07

## APPROVAL

This is to certify that this work has been submitted for examination with my approval as supervisor.

Sign:   
MATOVU GODFREY LUTIMBA  
SUPERVISER

Date : 

## DEDICATION

I dedicate this project to my parents for their devotion and moral support that has given me the spirit to endure this journey to completion.

## **ACKNOWLEDGEMENT**

I would like to thank the Lord, Almighty for guiding me throughout my academics and the project.

I thank Matovu Godfrey Lutimba, my supervisor, who has always been tirelessly available to assist me and whose intellectual direction and wisdom has enabled me complete this study successfully

I would like to thank my relatives, friends, and classmates for their support during this journey.

I would also like to thank the management and staff of Uganda Clays Limited Company, for their cooperation and assistance during this study, without which this project would not be a success.

I thank you all and God bless you.

## TABLE OF CONTENTS

<b>DECLARATION.....</b>	<b>i</b>
<b>APPROVAL .....</b>	<b>ii</b>
<b>DEDICATION.....</b>	<b>iii</b>
<b>ACKNOWLEDGEMENT.....</b>	<b>iv</b>
<b>TABLE OF CONTENTS .....</b>	<b>v</b>
<b>LIST OF TABLES .....</b>	<b>vii</b>
<b>LIST OF FIGURES .....</b>	<b>viii</b>
<b>ABBREVIATIONS.....</b>	<b>ix</b>
<b>DEFINITION OF TERMS.....</b>	<b>x</b>
<b>ABSTRACT.....</b>	<b>xi</b>
 <b>CHAPTER ONE .....</b>	 <b>12</b>
<b>INTRODUCTION.....</b>	<b>12</b>
1.0 Introduction.....	12
1.1.0 Background of the study .....	12
1.2 Statement of the problem.....	14
1.3 Purpose of the study.....	14
1.4 Objectives of the study.....	14
1.5 Research Questions.....	14
1.6 Conceptual framework.....	15
1.7 Research variables .....	16
1.8 Scope of the study.....	16
1.9 Significance of the study.....	16
 <b>CHAPTER TWO .....</b>	 <b>17</b>
<b>LITERATURE REVIEW .....</b>	<b>17</b>
2.0 Introduction.....	17
2.1.0 Procurement.....	17
2.1.1 Objectives of Procurement.....	17
2.1.2 Responsibilities of the procurement department; .....	18
2.2 The Procurement Cycle.....	18
2.3 Quality.....	20
2.4 Supplier Chain Management.....	20
2.4.1 Justification for Holding an Effective and Efficient Supply Chain Link.....	21
2.4.2 Managing Supply Chains.....	21
2.4.3 Transportation and Supply Chains.....	22
2.5 Supply chain optimization .....	23
2.6 Buyer Supplier Relationships .....	25
 <b>CHAPTER THREE.....</b>	 <b>29</b>
<b>METHODOLOGY .....</b>	<b>29</b>
3.0 Introduction.....	29
3.1 Location of the study .....	29
3.2 Sources of Information .....	29
3.3 Research Design.....	29
3.4 Population .....	30
3.5 Sampling Techniques.....	30
3.6 Data collection and instruments.....	30

3.7	Analyzing of Data .....	31
3.8	Limitations of the study .....	31
<b>CHAPTER FOUR.....</b>		<b>32</b>
<b>PRESENTATION, FINDINGS AND INTERPRETATION OF DATA .....</b>		<b>32</b>
4.0	Introduction.....	32
4.1	Methods used in Total Quality Management in the procurement department.....	32
4.2	Top Management support .....	33
4.3	Assessment of the Procurement staff.....	33
4.4	Supplier involvement and evaluation.....	35
4.5	Rejection/Replacement of Deliveries .....	36
4.6	Late Deliveries .....	37
4.7	Total Quality Management in related Departments.....	37
4.7.1	Total Quality Management methods.....	37
4.7.2	Effecting of orders .....	37
4.7.3	Quality of goods delivered.....	38
4.8	Roles of Total Quality Management in procurement .....	39
4.8.1	Benefit of Total Quality Management .....	40
4.9.1	Challenges faced Implementing Total Quality Management .....	41
4.9.2	Problems facing production as seen by other departments.....	41
4.9.	Solutions to the challenges faced in implementing TQM.....	42
<b>CHAPTER FIVE .....</b>		<b>43</b>
<b>CONCLUSIONS AND RECOMMENDATIONS.....</b>		<b>43</b>
5.0	Summary .....	43
5.1	Conclusions.....	43
5.3	Recommendations.....	45
5.4	Areas for further study .....	46
<b>BIBLIOGRAPHY .....</b>		<b>47</b>
<b>APPENDICES .....</b>		<b>49</b>
APPENDIX A: QUESTIONNAIRES .....		49
APPENDIX B: BUDGET .....		54

## LIST OF TABLES

Table 1: Effectiveness of the procurement process at the company .....	38
Table 2: Showing Quality of goods delivered .....	38



## LIST OF FIGURES

Figure 1: Conceptual framework for the study .....	15
Figure 2: Pie chart Showing Quality assessment methods at the company .....	35
Figure 3: Diagrammatic illustration of Rejects/Replacements; .....	36
Figure 4: Quality and profitability .....	40

## ABBREVIATIONS

PR	Purchase requisition
MUBS	Makerere Business School
CEO	Chief Executive Officers
CAPS	Center for Advanced procurement studies
SSL	Supplier satisfaction levels
“ACT”	The companies ACT, 1964 (cap. 85) of laws of Uganda the application form for shares.
DRIC	Divestiture and Reform implementation committee as established by Enterprises Reform and Divestiture statute 1993
NHCC	National Housing and construction cooperation
UShs	Uganda shillings
Shares	Ordinary shares having a nominal value of Shs. 5000 in the share capital of Uganda Clays Limited

## DEFINITION OF TERMS

### **Buyers**

A job title in Uganda Clays Limited used to describe all individuals engaged in purchasing activities at a middle managerial rank

### **Purchasing**

Purchasing may be defined as the function responsible for obtaining by lease or other means of acquiring goods and or services required by an undertaking for use in production of goods and services. In this definition the term production is used in the economic sense of creating activities such that purchasing constitutes the body of integrated activities that focuses on the acquisition of inputs needed to reach organization of goals. The procurement concept covers a wide range of supply activities than does the purchasing concept. They include participation in the managing values analysis activities, conducting market research managing supplies negotiations, conducting traditional buying activities, administering purchasing contracts, managing supplier quality and buying in bound transportation and, monitoring and evaluating the whole acquisition process in a bid to improve the values adding process.

### **Purchaser**

In the study the term purchaser will be used to refer to the end user and buyer Century Bottling Company (Coca-Cola Uganda). In this dissertation,

### **Customer**

Customer implies any position, persons or process whether internal or external to the organization that requires an organization or suppliers product as an input. In this case a product is a resource, created good or service.

### **End user**

Refers to the originating department of purchase requisitions with in Uganda Clays Limited.

Constraints/challenges are defined as problems as discussed in the report.

## ABSTRACT

The study was conducted to identify the roles of Total Quality Management in procurement, to identify the methods used in applying total quality management, challenges faced, and find out the solutions to the problems faced, and how other departments recommend procurements activities

The study was undertaken in the procurement department and other closely related departments; Quality Control, Stores, Production and Finance. Participants were all members of the department since they were not many. Study findings indicate that there are various roles played by TQM in procurement with a major one being cutting of costs. They include; inspection, reworks, redresses and scraps, at the same time producing quality goods and services among others. Also increasing support from the top management of the organization encourages the success of the department.

It can be concluded that trading period or a number of years suppliers had spent trading period Uganda Clays Limited did not have significant impact on the satisfaction levels. Like wise, the value of business handled by the supplier trading with Uganda Clays Limited did not significantly influence the supplier or purchase satisfaction levels. The variables used in the study are very critical in building trust between two trading partners and the results depict those Uganda Clays Limited material management section needs to address the dissatisfaction in order to improve on the constraints in the supply chain link and consequently the efficiency and customer service for the internal customers.

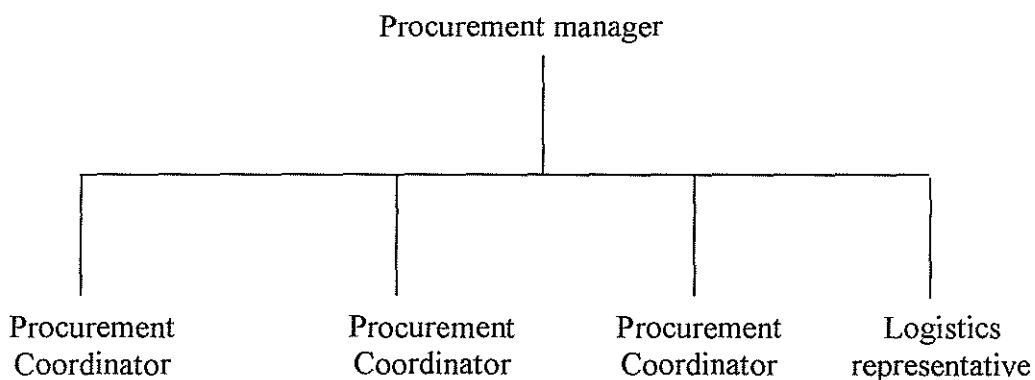
## **CHAPTER ONE INTRODUCTION**

### **1.0 Introduction**

Uganda Clays Limited is a privately owned company in Uganda with headquarters in Kajansi started operations in 1989, in industrial area and later acquired a permanent location in Kajansi.

Uganda Clays Limited has achieved many quality awards in the country. This is attributed to the company's never ending continuous improvements in quality processes and efficiency and effectiveness of its employees. Buying of goods and services used in the organization is centralized with a procurement department; consisting of a manager coordinators and a logistics representative.

#### **An Illustration of the Procurement Department**



The Uganda Clays Limited prides itself in its ability to produce products that are user friendly and affordable to customers while maintaining the highest possible standards in production and Quality Management together with Assurance.

### **1.0 Background of the study**

Constraints in the supplier chain link at the company these are referred to as the limitations in the supper chain as far as time, money, financial, economic, legal and political constraints/aspects.

A supply chain can be broken into three major parts, up stream, internal and down stream.

- (i) Upstream supply chain. It includes the activities of a manufacturing company with its suppliers (which can be manufactures, assemblers, or both) and connections to their suppliers (second tier suppliers). The supplier relationship can be attached to the left in several tiers, all the way to the origin of the material. In the upstream supply chain the major activity is procurement.
- (ii) Internal supply chain. It includes all of the in-house suppliers into organization's output. It extends from the time the inputs enter an organization. In this part of the supply chain the major concerns are production management manufacturing and inventory control.
- (iii) Down stream supply chain. It includes all the activities involved in delivering the products to the final customers. In the down stream supply chain, attention is directed at distribution, warehousing transportation and after sale service.

Supply chains have been plagued with problems both in military and in business operations for generations. These problems have sometimes caused armies to loose wars and companies to go out of business. The problems are most apparent in complex or long supply chains and incase where many business partners are involved.

A company's supply chain and its accompanying value chain encompass an array of business processes that create value by delivering goods or services to customers.

### **The supply chain link at Uganda Clays Limited**

The company has been increasingly under pressure to operate efficient and effective strategies within the national market. However this heavily relies upon the supply of goods and services to maintain competitive advantage.

Hence its essential that the procurement personnel develop an awareness of how strategies are developed and executed within the organization plus putting the impact

Hence its essential that the procurement personnel develop an awareness of how strategies are developed and executed within the organization plus putting the impact of strategic procurement and supply chain management upon the success of such strategies.

## **1.2 Statement of the problem**

For almost every product or service, there is more than one organization trying to make a sale. Price may be a major issue in whether a sale is made or lost, but another factor is quality. Quality has become the re-discovered management technology and companies without quality improvement programs in their harness are being quickly by passed by competitors who have adopted this new management technique.

## **1.3 Purpose of the study**

The main purpose of the study was to determine the roles of Total Quality Management (TQM) in the procurement department.

## **1.4 Objectives of the study**

- To determine the methods of Total Quality Management application in the procurement department
- To identify the benefits of Total Quality Management in the procurement department.
- To find out the problems faced in carrying out Total Quality Management in the procurement department.

## **1.5 Research Questions**

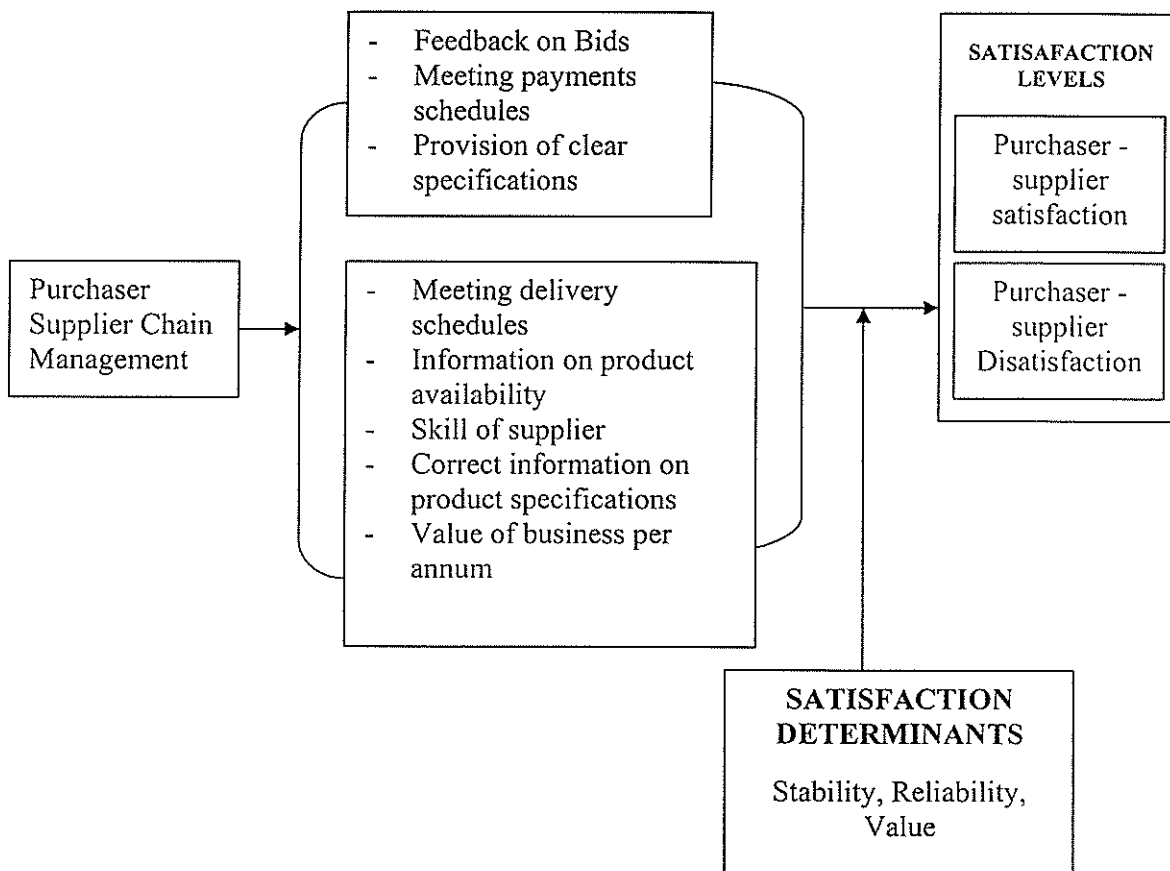
- What are the methods of application of Total Quality Management in the procurement department?
- What are the benefits of Total Quality Management in procurement department?

- What are the problems faced in carrying out Total Quality Management in the procurement department?

## 1.6 Conceptual framework

Conceptually developing good supply chain link that is suppliers to purchasers, with suppliers directly affects customer satisfaction. Internal and external customer's satisfaction has been found by many scholars to be a product of effective buyer – supplier relationships.

**Figure 1: Conceptual framework for the study**



As seen from the figure 1 above, the supply chain management is dependent on a number of factors within the purchaser's direct control (feedback on bids, meeting payment schedules, clear purchase specifications) and indirect control (meeting



delivery schedules, information on product availability, skill and professionalism of supplier). In order to establish the current purchaser and supplier satisfaction levels, the purchaser – supplier satisfaction model will be used. This model will provides framework for clarifying the current purchaser supplier relations in terms of satisfaction and stability.

### **1.7 Research variables**

Supply chain link was the independent variable while constraints are the dependent variables.

### **1.8 Scope of the study**

The area of study was Coca Cola, Centaury Bottling Company in Namanve industrial area in Mukono District. The study was carried out on the roles of Total Quality Management in procurement. Focusing on the procurement department and other closely related departments for instance quality control and finance.

### **1.9 Significance of the study**

The research will aid organizations both private and public in the importance of total quality management, it's applications in a basis to improve quality of their goods and services and cut costs.

The findings will enable organizations that do not have a procurement department to establish a centralized procurement department and also at the same time enable those with a decentralized procurement department to centralize them in a bid to apply quality management techniques.

The study will provide further literature guide to other researchers in similar studies.

The study will help the researcher to be awarded a bachelors degree as it is part of the course requirements.

## **CHAPTER TWO LITERATURE REVIEW**

### **2.0 Introduction**

The research under this chapter reviewed the supplier chain link, buyer – supplier satisfaction levels, trust in buyer supplier relationship and communication trust in buyer-supplier chain as it is extensive and growing hence with the help of the existing literature also helped the researcher to know more about the study variables thus this chapter was a basis for the study.

#### **2.1.0 Procurement**

Managers have realized that a procurement department in organization staffed by competent personnel is capable of yielding significant contributions as a consequence; its performance is increasingly being recognized and in some instances formalized as a significant social economic force.

There are a few organizations which are totally self contained to the extent that their products and services are generated at one location from basic materials

Procurement is the full range of activities related to purchasing goods, services and works. It ranges from contracting for an entire service to purchasing small assets such as office equipments. The procurement process does not end at the commissioning or contract awards stage but spans the entire life cycle of the product or service from inception and design through to contract management and disposal of any redundant assets. (<http://www.mrpc.org>)

Procurement is the acquisition of goods and services (Heizer. Render, 1993).

#### **2.1.1 Objectives of Procurement**

1. Help identify the products and services that can best be obtained externally.
2. Develop, evaluate and determine the best supplier, price and delivery for those products and services.

3. The procurement function also encompasses a coordination of purchasing activities with internal departments like finance, accounting, maintenance and engineering and finally to production to meet organizational objectives.

#### **2.1.2 Responsibilities of the procurement department;**

- Coordinating purchase needs with user departments.
- Identifying potential suppliers.
- Conducting market studies for material purchases.
- Proposal analysis
- Supplier selection / location.
- Issuing purchase orders to suppliers.
- Meeting with sales representatives.
- Negotiating with suppliers.
- Contract administration.
- Resolving purchase related problems.
- Maintenance of purchasing records.
- Participation in the development of the material and service requirement and related specifications.
- Conducting material and value analysis studies.
- Inbound transportation.
- Management of recovery activities such as surplus and scrap salvage as well as its implications for environmental management

### **2.2 The Procurement Cycle**

The procurement responsibilities are done in six steps or stages and they follow one another from start to end thus forming a cycle.

The procurement cycle therefore is defined as, all activities associated with the ordering of goods and services for the organization's use. (Manzi, Procurement News)

Procurement cycle can also be defined as “the purchasing cycle encompasses all phases of procuring goods and services essential to maintaining and enhancing the operations and services of the procuring organization.” (Manzi, Procurement News)

The basic elements of the procurement cycle are discussed below;

### **1. Establishment of need**

It is the responsibility of the procurement unit to ensure that the needs which will trigger procurement action have been properly and correctly established.

Establishment of need is carried out at two levels

- Needs identification
- Needs assessment

### **2. Sourcing**

This refers to the activity of obtaining proposals, bids, quotations or offers for consideration to supply, provide or execute the requirements that were identified in the first stage above.

### **3. Evaluation**

Having received the bids or offers we go into evaluation. It involves the examination, comparison, and assessment of the offers to arrive at recommendations for award.

### **4. Ordering**

Having obtained approvals for recommended awards from the evaluation exercises, now translate the awards into an order or supply agreement

Some of the most common instruments used to place orders are: Local Purchase Order (LPO), Foreign Purchase Order (FPO), Supply contracts, Agreements for provision of services contracts for works.

### **5. Receiving**

This is an important step as it is at this stage that real value of the procurement transfers from the supplier to the buyer. The buyer organization must therefore ascertain that what was ordered for has indeed been delivered.

### **6. Payments**

From the previous stage on receipt of items if everything is okay, then documentation should be forwarded for payments. While the buyer is interested in getting goods/services so procured, the supplier is also entitled to their payment. Therefore the importance attached to order processing should be equally applied to processing supplier's payments.

### **2.3 Quality**

**Joseph Juran**<sup>1</sup> defines quality as “fitness” for use as viewed by the customer. He further defines fitness for use as consistence consisting of five components

- Quality of design
- Quality of conformance
- Availability
- Field use
- Safety

### **2.4 Supplier Chain Management**

Supply chain is the flow of materials, information, money and services from raw materials suppliers through factories and warehouses to the end customers. It includes organizations, individuals and processes that create and deliver products, information, and services the end customers it has been well known for generations that the success of many organizations private, public and military depends on their ability to manage the flow of materials, information and money into, within and out of the organization. Because supply chains may be long and complex and may involve many different business partners, businesses frequently encounter problems in the operation of the supply chains. These problems many result into delays, in customer dissatisfaction, in lost sales and in high expenses from fixing the problems once they occur.

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<sup>1</sup> Quality Guru

#### **2.4.1 Justification for Holding an Effective and Efficient Supply Chain Link**

Good supply chain management is essential for a successful company. Effective management of the supply chain keeps costs down. This is primarily achieved by ensuring communication can flow freely along the chain. The importance of managing the physical supply chain effectively is highlighted by a report concluding that distribution is likely to become a major problem for companies who cannot deliver quickly are going to suffer customer defections and declining revenues.

Issues such as returns and transport charges will need to be addressed, while the expectations of the customer in terms of quicker delivery time will have to be matched by a more efficient and flexible supply chain. However the supply chain has a variety of techniques to improve the delivery of goods between suppliers and their customers. Typical supply chain applications include;

- I. Stock control
- II. Just – in time (JIT deliver)
- III. Transportation
- IV. Ware house management.

Bailey J. (1987) mentioned that successful and profitable operations in sales markets depend on a large extent on the arrangement, which have been in the supply markets. There is an increasing tendency to examine the whole supply chain back from the final customer through to the supplier's supplier.

#### **2.4.2 Managing Supply Chains**

Managing medium to large supply chains manually can be difficult due to the need to coordinate several business partners, several internal corporate departments, numerous business processes and possibly many customers.

Information technology provides two types of software solutions;

- (i) Supply Chain Management (SCM)
- (ii) Enterprise Resource Planning (ERP)

There is an implication that things need to be delivered on a just-in-time basis in order to minimize warehousing requirements and the amount of capital tied up in a stock. Thus it is necessary to imagine as supply and think about it in terms of logistics.

### **2.4.3 Transportation and Supply Chains**

Supply chains imply movement and movement whether of goods or people requires some form of transportation.

An account of the evolution of transport systems is outside the scope of the book. Suffice to say that since the 1970s the focus on supply chain managed services it has been estimated that between 1970 and 1997, transport as measured in tonne-kilometers increased in the EU (European Union) by 207 percent. A study by Kenneth Lyson and Michael Gillingham attributes the increased demand for transport services to the following factors;

1. General economic growth.
2. Increased specialization by companies on specific parts of the value chain.
3. Increased out sourcing which has meant that on site transport has been converted into external transport among different supply chain participants.
4. New supply chain management strategies such as SIT and efficient consumers' response (ECR) have redefined the demand for transport services as a consequence of shortening replenishment cycle and lower inventory levels.
5. Focus during the 1990s on the fulfillment of customer demand by the induction of mass communication or creation of diversification in product range.
6. Quick response systems and higher order fulfillment rates leading to small order quantities and increased order frequency thus increasing the number of deliveries to end users.
7. The move to reduced inventory levels leading to centralized inventories reduction in the number of stock keeping locations in the supply chain as a resultant additional demand for transport.
8. The shift from make-to-stock to make-to-order.
9. The outsourcing of value added logistics to third party logistics sent to providers.

10. The change in the geographical scope to logistics from country based, regional, pan European or global perspectives.
11. Changing distribution concepts such as direct distribution and cross docking refers to the merging of goods flows several services of distribution centres before final delivery but without holding any inventory at the distribution centre.
12. Globalization and increased competition leading to an increase in the demand for transport services as companies source from the optimal place irrespective of geographical locations.

## **2.5 Supply chain optimization**

This may be defined as the management of complex supply chains in their entirety with the objectives of synchronizing all value adding production and distribution activities and the elimination of such activities that do not add value.

Cannon points out that supply chains management is not about minimizing the effectiveness and profitability of the individual units whether factories, warehouse or transport fleets but optimizing the whole to achieve better services at lower costs with industry. He instances five ways in which this can be done.

1. Reducing waste and non value adding activities such as handling or excess inventory.
2. Increasing customer service responsibility especially with regard to forecasting.
3. Reducing the time for new product development.
4. Coordinating better the efforts of all components links in the supply chain.

JOHNSON and LAWRENCE (1988) concurred that value was not added merely with in the processes controlled by the buying firm but also by other companies with in the value system. Amongst the world's leading organization in terms of management, Moore in (1999) noted that only a small proportion of the buyers time is spent on the routine and refined processes for others like Guinness Ltd facing stiff competition in its core market around the world, their purchasing department have developed a vision, mission statement, strategies towards suppliers management in the case of



Guinness limited, their vision is a supply base with a continuous improvement culture. One in which suppliers continuously seek to raise quality and service levels, through the application of systematic problem solving approaches to tackle underlying issues whilst continually reducing overall costs by eliminating waste at every stage of the supply chain.

LAMMING (1992) says industrial companies frequently speak items of working with fewer closer suppliers with whom partnership can be built. Evidence show suppliers' bases shrinking as attempts are made to emulate Japanese business relationships. These observations are in the line with those of DEMMING (1982) and MANGER (1991). At the same time KEARNEY (1993) reports that a sample of buyers and that they aim at reducing the number of suppliers by at least 20% although they don't state in how many years they are likely to achieve this goal. However PORTER (1985) takes a very different view, he proposes that firms can take a number of specific actions to enhance their bargaining power with suppliers. They can keep but small of sources sufficient to ensure competition but small enough to be an important buyer to each source he recommended the selection of suppliers who are especially competitions with each other and divide purchases amongst themselves. And lastly, to vary the proportion of business awarded to suppliers over time to ensure that they don't view it as entitlement.

Effective supplier management involves dedicating the majority of your resources to those suppliers that provide critical and unique goods and services, for purchasing sections have the resources or time to have strategic alliances with many suppliers you may not be able to justify numerous time consuming supplier relationships.

MABERT R (1997)( in his research on the design of a supplier alliance programme, reported that the above statement that the evaluation, selection and retention of suppliers involves processes that are expensive and time consuming the costs associated with activities necessitates closer, long term relationship with supplier which are also causing changes in traditional manufacturer supplier roles.

As much as we advocate for change the way suppliers are managed, CRABTREE, BOWER and KEOGH (1996) warned against jumping on the supplier relationship

partnership band wagon without first analyzing the current conclusion with in the industry or sector.

## **2.6 Buyer Supplier Relationships**

Buyer-supplier relationship have long been popular topic of purchasing industrial marketing strategy and policy research due to their importance in promoting desired economic behavior (increasing productivity) from suppliers and customers. It has helped in managing the inefficiencies of the exchange process for example high inventory levels in the supply chain that can increase the cost of conducting business according to PATTERSON JAMES (1995).

Research in this area has been important also due to their influence in furthering desired business related behavior from buyer and supplier their behavior can reduce the uncertainties of communication from both sides thereby curtaining the need to monitor ones exchange partner. OUCHI (1989) construed the markets, bureaucracies and class frame works to explain relationship with in organizations (intra organizational relationships).

OUCHI markets correspond to the international arms length buyer supplier relationships which is marked by mutual distrust and active animosity self servicing behavior and prevalent a win lose attitude towards the negotiated exchange terms between the buying and supplying parties.

KEARNEY .A. T (1997) released CEO global business study, conducted by opinion Research Corporation International. The study showed that strong supplier relationships lead to better financial performance and satisfied external customers' results from their study depicted 82% of the respondents saying that relationship with suppliers were critically important.

YUVA JOHN (2001) said that trust means different things to different people at different times for example trust may mean the expectation that some thing can be told in confidence, while in another circumstances trust may mean that a supplier can complete its scheduled deliveries.

SAKO's M (1992) model on suppliers' relationship advocated for long term relationships based on trust and mutual benefit for strategic advantages Sako identified three types of trust that can affect supplier management. The first was competency trust where both partners can perform their roles competently, the second, was God will trust where mutual expectations of open commitment to each other or the willingness to do more than is formally expected and the third, contractual trust where both sides keep promises.

YUVA J (2001) looked at contractual trust as trust of character and elaborated that it involves managing expectations, being consistent and keeping agreements. He also argued that communication trust or trust of disclosure. Another category of the different types of trust in addition to what Sako came up with under communication trust sharing of information admit mistakes giving and receiving feed back and manufacturing confidentiality are vital in buyer supplier satisfaction.

In line to the above, a critical review analysis of the literature of the supply chain link in the view of the researcher, include.

Supply chain management is still a fairly new concept as it was developed to provide a new way of examining and analyzing organization avoiding traditional functional components so as to take a comprehensive look at major cross functional components to take a comprehensive look at major cross functional processes that support the customer.

The supply chain consists of the links between a firm and its suppliers, through its distribution, organization and on to its customers. The concept was being developed as business process re-engineering (BPR) was being used by many organizations to stream line, add value and eliminate waste from business processes. The supply chain management has allowed senior managers to example key business activities using tools such as porters value chain analysis and make significant changes and gains.

One of the most appealing benefits has been the improvement in response times to customers a major advantage in increasing competitive markets, other benefits such as

reduced inventories and lower operating costs (and the reductions in working capital that follow) has been also attractive.

One significant advantage was that unlike the more generic BPR (business process re-engineering), the concept of the supply chain and the importance of its effective management and improvement was simple and easily communicable through out an organization. Any executive can immediately see its importance and the benefits that can accrue from, improving the supply chain.

However, initial publicity from early adopters was often very good, there were chains of drastic improvements in measurable performance unlike more culturally dependent improvement methodologies such as total quality management (TQM), where improvements are often long term and more of an act of faith than of measurable performance development.

A number of definitions exist as to the meaning of strategic supply chain management, some of which are common to specific industries. Selecting the right definition is not an easy task because there is still a lot of confusion among enterprises of all sizes as to what supply chain link management, actually is, some enterprises refer to supply chain link to mean in bound logistic; in bound and out bound logistics, logistics and distributional transportation, materials handling and Ware Housing, SCM as a synonym for the order to cash core process.

In these circumstance supply chain link is more or less 'anything you want it to be' which leads to problems in management. However, in manufacturing setting it can be viewed as the right of supply chains which can be defined as the processes from the initial raw materials to the ultimate consumption of finished products linking across enterprise boundaries.

In the modern environment, the procurement of goods and services has a very tense competition in that the purchasing or procurement officer has to be in line with principles of purchasing or procurement. It is upon this that as a procurement specialist you are supposed to focus on the major principles of purchasing that is to say principles

of right purchasing right quality price source, right quality, right time and right source, right quality, time and right price in order to compete favorably in the market.

Procurement and supply functions structures.

- i) Purchasing departments used to be concerned with order processing, invoicing and order handling. However, these rules are no more due to developments technology and out sourcing initiatives.
- ii) Monitoring and managing performance are however still an issue with large purchasing departments.
- iii) Spans of control, the centralization question and what to organize the function around all present choices for the procurement function, some of these factors are
  - 1) Supplier groups
  - 2) Product categories
  - 3) Manufacturing units
  - 4) Demand categories
  - 5) Internal customer groups.

Each of these options offers advantages and disadvantages depending on the nature of the organization and the environment in which it operates.

Conclusively in designing a structure for procurement and supply function, remember to consider the organization structure mission and objectives of the organization. The structure has to be unique because each procurement function is unique in nature. The procurement manager and staff have to ensure that the function has a value adding contribution to the strategy of the organization and demonstrates the nature of that organization.

## **CHAPTER THREE METHODOLOGY**

### **3.0 Introduction**

This chapter focused on the methodology and specifically the various techniques/tools used to collect (data). Primary and secondary data and the reasons why they were used. Details of the research design, research tools, methods and sample used on which was used on the population under the study was highlighted. The approaches used in analyzing and interpretation of data, the format or structure of data was mentioned in this chapter.

### **3.1 Location of the study**

The area of study was Uganda Clays Limited, in Kajjansi off Entebbe. The study was carried out on the roles of Total Quality Management in procurement. Focusing on the procurement department and other closely related departments for instance quality control and finance.

### **3.2 Sources of Information**

The major sources of information depended on company profile, procurement manual, supplier data bases, ministry trade and industry, professional magazines like procurement news, procurement and management text books, websites and raw data collected using different research instruments.

### **3.3 Research Design**

The study was based on a case study method of research that was sought to analyze the constraints that affect purchaser-supplier satisfaction levels with in the company.

The study on constraints in the supplier chain link involves looking at the relationship that covers internal customers/end users, purchasing staff/buyer and suppliers themselves. Like any other study or research on organizations, primary and secondary

data was collected on key stake holders, the purchasing personnel who are directly involved with managing these suppliers, the end users.

The study on constraints in the supplier chain link involved looking at the relationship that covers internal customers/end users, purchasing staff/buyer and suppliers themselves. Like any other study or research on organizations, primary and secondary data was collected on key stake holders, the purchasing personnel who were directly involved with managing these suppliers, the end users/internal customer who starts off the whole process of purchasing and the suppliers themselves who provide the required inputs at a cost.

### **3.4 Population**

The study also covered buyers, end user department and the suppliers who supply inputs to the organization. The number of buyers plus their assistants in Uganda clays limited company during the study.

### **3.5 Sampling Techniques**

Considering the population of the number of buyers and end users, it was necessary to involve all population with the exception of the researcher in the case of buyer.

### **3.6 Data collection and instruments**

Secondary data. The whole process involved a critical look at existing secondary data using existing literature from textbooks on supplier chain management in Kampala International University text books and public libraries such as Kyambogo University, Makerere Business School (MUBS) were considered.

#### **Primary data**

Primary data was collected based on semi- structured questionnaires where the respondents responded to statements, some of which were open and others close ended.

### **3.7 Analyzing of Data**

The first test in the data analysis involved categorizing the responses – raw data for each group, the supplier, internal customer and the purchasing personnel according to the objectives of the study.

### **3.8 Limitations of the study**

- Some respondents deliberately refused to provide the desirable data claiming company privacy.
- Time allocation was a problem upon completion.
- Limited accessibility and few people fully acknowledged the procurement programme since its still in its infancy that is in Uganda.



## **CHAPTER FOUR**

### **PRESENTATION, FINDINGS AND INTERPRETATION OF DATA**

#### **4.0 Introduction**

This chapter presented the analysis and interpretation of primary and secondary data collected from supplier and purchaser is presented, discussed and analyzed using graphs and regression analysis study findings which were presented according to the objectives of the study. The current supply management arrangement looking at the supplier base, position of the function within the organization structure and the current inputs procured through the procurement section, establishing efficient collaborative supplier relations, documentation, quotations, and specifications.

The Uganda Clays Limited exists to provide quality, long lasting building materials to suit everybody's needs. For us, Quality is more than just something we taste or see or measure. It shows in our every action. We relentlessly strive to exceed the world's ever changing expectations because keeping our quality promise in the market place is our highest business objective and our enduring obligation.

- The symbol of quality
- Customer and consumer satisfaction
- A Responsible citizen of the world

#### **4.1 Methods used in Total Quality Management in the procurement department.**

These are as follows:

Training; it is the imparting of knowledge, skills and tools to individuals so as to enable them perform efficiently the required tasks. These are done monthly.

- Quality management processes of ISO 9000; these are guidelines set by the international standards organization (ISO) to help organizations improve the quality of their services and products.

➤ Quality manuals; these are provided by the organization to the department over which the procedure of how to implement total quality management are laid.

In addition are the core values of the company as regards quality as seen in the quality statement requiring all employees to fully participate in the total quality management practices in the entire organization.

➤ For production and quality control department there is also use of statistical Process Control, using statistical charts and diagrams to determine/ identify materials and products with substandard quality.

➤ Quality at the source; each worker being responsible for his or her own work.

A Total Quality Management model has 3 components

- i. A documented quality management system.
- ii. Team work for quality improvement
- iii. Statistical process control

## **4.2 Top Management support**

Procurement department gets a lot of support from the top management as regards TQM. The procurement Manager also gives a lot of support to his team. It is the top management that;

- Identify customer needs; translate those needs into quality requirements.
- Work to break barriers between functional departments.
- Solicit suggestions from lower level employees about how to improve the quality of the organization's output.
- Design products that are easy to assemble.

## **4.3 Assessment of the Procurement staff**

**Self assessment:** taking the biggest percentage, this has many activities;

There is the use a people plan, where each coordinator presents to the procurement manager his/her ideas on how assigned tasks will be performed in a cost effective way weekly, graded from 1-5 starting from poor to excellent.

Different tasks are divided among the members of the department; this is to enable an easy and effective way of performance.

Team work; the department meet as a team weekly and discuss the challenges faced in performing their tasks, and ideas on how they could be overcome are sought. This is to help it meet its goals and objectives.

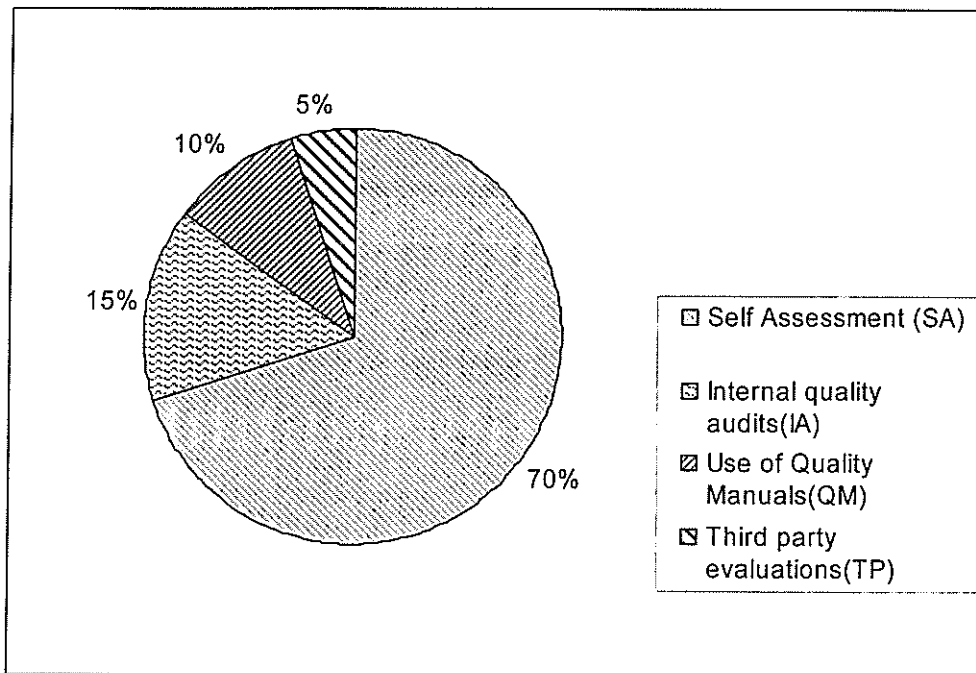
There's also a software system (SAPS) where each member records information related to his/her task. It's checked after every two weeks so that by the end month all orders of that particular month are delivered.

**Internal quality audits;** this is where auditors from within the company verify that certain plans set forth as formal procedures by the company are actually being followed in the department. It is done monthly, graded with different colors of different performance meanings. In addition a graph is drawn showing performance of the department. This is to help members continuously work hard so as to have and maintain good performance.

**Use of quality manuals;** these are documents made by the organization stating the quality policy and describing how the quality system in the organization is to be carried out.

**Third party evaluation;** these are people who are hired to assess and evaluate the quality standards of the organization's services and products. They come on a quarterly basis. They include Ernst and young. The above information can be graphically shown

**Figure 2: Pie chart Showing Quality assessment methods at the company**



**Source: Primary Data**

The pie chart showed that the most widely used quality assessment method at the company was the use of quality manuals which was indicated by 70% of the respondents while 15% selected internal quality audits, 10% selected use of quality manuals while only 5% said third party evaluations were used.

#### **4.4 Supplier involvement and evaluation**

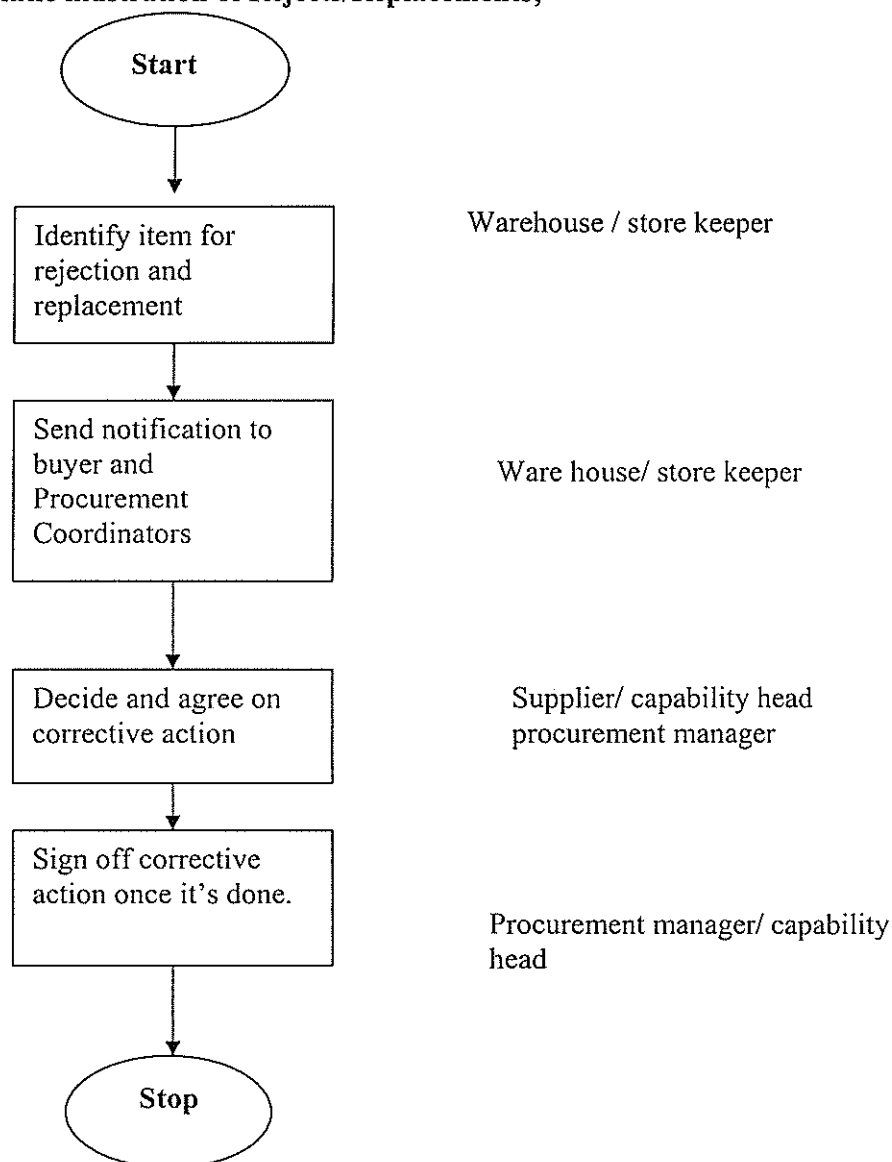
The supplier evaluation process involves only major suppliers; these are suppliers of goods and services valued at US \$ 100,000 per year and above. Suppliers are evaluated using self assessment, third party evaluation, ISO 9000 certifications and use of quality manuals. The procurement department conducts supplier evaluations on a monthly basis, done for all major suppliers. It is also done for suppliers of raw materials and primary and secondary packaging supplies. Suppliers whose performance is consistently below the target defined in their contract are discontinued.

#### 4.5 Rejection/Replacement of Deliveries

Where an order has to be rejected, returned or replaced for any reason, the store keeper segregates the goods into one location. Similarly if a service is unacceptable and cannot be corrected in reasonable time, the service is suspended or halted. The Procurement coordinator responsible for the goods follows up correction of the problem. Supplier is notified of the complaint and an investigation done to identify the root cause of the problem and corrective action.

Excess deliveries are considered as rejects.

**Figure 3: Diagrammatic illustration of Rejects/Replacements;**



**Source: Primary Data**

#### **4.6 Late Deliveries**

When suppliers fail to deliver goods and services in time, there is a penalty that is given to them. A clause is included in the contract indicating that in case a supplier fails to deliver goods and services in time, there is a penalty given to compensate for the loss they have caused the buying company.

#### **4.7 Total Quality Management in related Departments**

Procurement links with every department, but the more closely related ones are; production, stores, quality control and finance.

##### **4.7.1 Total Quality Management methods**

These are the same as those used in procurement department; Training, Quality manuals, Quality management processes of ISO 9000. In addition to that, Quality Control and Production departments also use statistical process controls. Thus there is no difference in the way skills are given to these departments and procurement department. Hence uniformity in the activity and also keeps up with the required standards, that are needed by them from the procurement department.

##### **4.7.2 Effecting of orders**

When needs are identified by user departments, requisitions are made to the procurement department so that orders can be made. Research shows that orders are effected very fast and deliveries made in the right time.

The following results were obtained about how the procurement department responds to the orders made by other departments.

**Table 1: Effectiveness of the procurement process at the company**

Time period	Number of respondents	Percentage%
Very fast	13	52%
Fast	10	40%
Slow	2	8%
Very slow	-	-
<b>Total</b>	<b>25</b>	<b>100%</b>

**Source: Primary data.**

The table indicates that procurement is effective and quick in carrying out its activities. Percentages of the respondents agree to it also. [52% and 40% said so]

#### **4.7.3 Quality of goods delivered**

When internal customers (user departments) order for goods, they expect to get the best quality of goods that are suitable for the intended purpose. The table below shows the state of quality of goods delivered to the user department.

**Table 2: Showing Quality of goods delivered**

Type of quality	Number of respondents	Percentage
Required quality	24	96%
Good quality	-	-
Average quality	1	4%
Poor quality	-	-
<b>Total</b>	<b>25</b>	<b>100%</b>

**Source: Primary data**

The table above shows that procurement department is always delivering goods and services of the right quality; that is the required quality; that is the required quality as per the user department's specifications. The table also indicates an element of average quality goods delivered to user departments. Meaning that some times wrong specifications are either made by procurement when ordering or suppliers deliver wrong specifications.

#### 4.8 Roles of Total Quality Management in procurement

Total Quality Management results in reduced waste, re- work and reduces costs. This happens through the ceaseless effort to remove or eliminate activities, tasks and processes that are non value adding as far as the customer is concerned.

Total Quality Management increases the probability of a business surviving in the face of stiff competition. By giving customer satisfaction the center stage, Total Quality Management enhances quality as a business strategy to hold and increase market share. It actuates a shaper focus on customer requirements and continuous improvement of the process that delivers the company's products.

Total Quality Management helps managers operating under it strive to keep focus in all activities on the satisfaction of internal and external customers rather than cost control on the quantity produced. Total Quality Management leads to improved quality which can lead to increased market share and cost saving of an organization. Quality will show up in perceptions about the firm's new products, employee practices and supplier relations. [See figure 1]. A firm that develops a reputation for poor quality has to work doubly hard to shade that image.

It is important in product liability: courts increasingly hold everyone in the distribution chain responsible for the product. Additionally, organizations that design and produce faulty products or services can be held liable for damages or injuries resulting from their use. Total Quality Management therefore helps in designing a good quality product or service that will have no defect to the customer, and provides assurance to the customer about proper performance of the production in form of guarantees. In this technological age, quality is an international as well as a corporate concern for both a company and a country to compete effectively in the global economy. Its products must meet quality and price expectations. Total Quality Management therefore helps an organization come up with good quality products and services that can compete favorably on the global market.

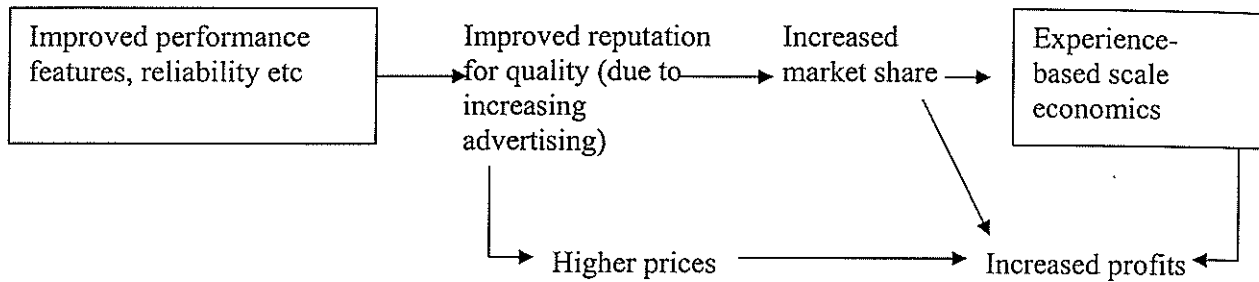
Total Quality Management can evaluate the manufacturing process and suggest if any changes or modifications are necessary either to maintain or improve it.



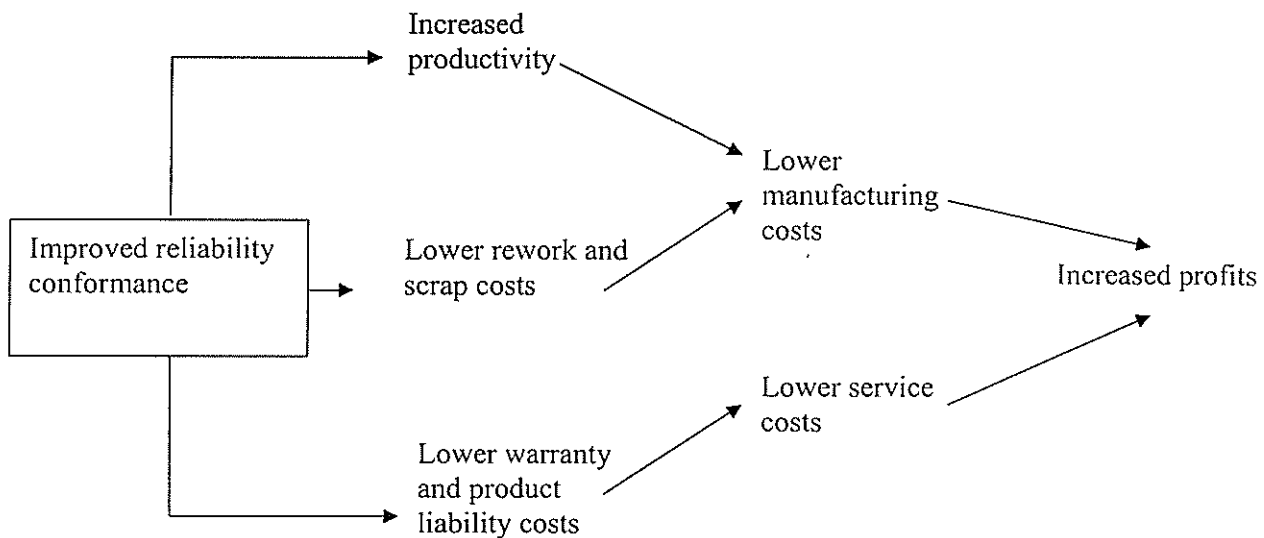
The Total Quality Management process is set up to be inductive of any flows or variations in the quality of raw materials that form the input as well as in the process.

**Figure 4: Quality and profitability**

i. Market gains



ii. Cost savings.



Source: Secondary Data

#### 4.8.1 Benefit of Total Quality Management

- The finished product is more uniform in quality, more reliable in service and its performance is predictable.

- It introduces quality consciousness in the minds of employees as well as management. That is, morale boosting concepts and gives a feeling of good will and service.
- When Total Quality Management concepts are built in the manufacturing process and system, the cost of inspection is reduced since it's not necessary to inspect all the time.
- It minimizes the waste of time and waste of materials since fewer items would be rejected.
- It improves the relations concepts between the procurement department and internal and external customers, and builds up a positive image and ambiance with procurement because it minimizes rejections.
- It results in lower costs of production due to reduction in the quantities of scrap and rejected parts and products, giving the organization flexibility of reducing prices and gaining a big market share.

#### **4.9 Challenges faced Implementing Total Quality Management**

- Sometimes there is lack of time to devote to Total Quality Management initiatives, when more work has been added to workers without adding additional resources.
- Quality related decisions may not be tied to market performance for instance customer satisfaction may be carried to the extent that its cost far exceeds any direct or indirect benefit of doing so.
- Failure to carefully plan a program before embarking on it can lead to false starts, employee confusion, meaningless results and wastage of resources.
- Lack of strong motivation; Managers need to make sure employees are strongly motivated.

##### **4.9.2 Problems facing production as seen by other departments.**

There is a general problem of some delays in making of purchase orders especially during the period when the staff is undergoing training, which is usually done from morning to evening. Giving the general manager more work as he is the only other person who produces purchases orders.

#### **4.9. Solutions to the challenges faced in implementing TQM.**

- Employee empowerment; giving workers the responsibility for improvements and authority to make changes to accomplish them, provides strong motivation for employees.
- Adding more work with more additional resources to ensure that time for each task is fixed.
- Never stop trying to improve; keep track of results and use them to guide improvements in the system.

## **CHAPTER FIVE**

### **CONCLUSIONS AND RECOMMENDATIONS**

#### **5.0 Summary**

The study was conducted to identify the roles of Total Quality Management in procurement, to identify the methods used in applying total quality management, challenges faced, and find out the solutions to the problems faced, and how other departments recommend procurements activities

The study was undertaken in the procurement department and other closely related departments; Quality Control, Stores, Production and Finance. Participants were all members of the department since they were not many. Study findings indicate that there are various roles played by TQM in procurement with a major one being cutting of costs. They include; inspection, reworks, redresses and scraps, at the same time producing quality goods and services among others. Also increasing support from the top management of the organization encourages the success of the department.

The study ends with conclusion and recommendation for possible follow up action.

#### **5.1 Conclusions**

In the study; methods of application of Total Quality Management were shown including trainings, Quality manuals, ISO 9000 guidelines on Total Quality Management and statistical Process Controls. The study also shows that evaluation is done in order to check efficiency and effectiveness in using total quality management. More to that, suppliers, both internal and external are also included in the Total Quality Management system so as to be able to produce the required quality of goods and services. Done through supplier evaluations.

The supplier data based indicated a total supply base of 434 suppliers while in reality only 120 have been actively trading with the company in the last two years. This was an indication that the materials management section is yet to value significance and

role of having a good supplier data management system. The purchasing function is under the materials manager who reports to the finance manager.

Overall the study findings indicate that there was dissatisfaction of both the purchaser and supplier contractual and communication trust obligations. Delivery reliability was highlighted as the worst performance function that contributed to the dissatisfaction of Uganda Clays Limited.

It can be concluded that trading period or a number of years suppliers had spent trading period Uganda Clays Limited did not have significant impact on the satisfaction levels. Like wise, the value of business handled by the supplier trading with Uganda Clays Limited did not significantly influence the supplier or purchase satisfaction levels. The variables used in the study are very critical in building trust between two trading partners and the results depict those Uganda Clays Limited material management section needs to address the dissatisfaction in order to improve on the constraints in the supply chain link and consequently the efficiency and customer service for the internal customers.

Purchasing is a spending function its process which includes all the functions involved from the time the need is felt till the receipt and final acceptance of materials so purchased. For the purchases in Uganda Clays Limited need to optimize the supply chain link management which requires a detailed review of the underlying business processes. Customer service management: Customer service becomes the key information process. Procurement: strategic plans are developed that include suppliers to support the manufacturing or service delivery processes. The purchasing function develops accurate assessment and rapid communication mechanism to transfer requirements quickly. Manufacturing flow management, Service process management and Service processes must be streamlined to ensure cost-effective service delivery.

### 5.3 Recommendations

Total Quality Management is not an old technique in the industry though it has managed to be successful. Recommendations are however given by secondary data collections and are;

Tapan P Bagchi (1996), Management Responsibility shall include the following when defining and documenting its quality policy, quality objectives and commitment to quality and supplier management.

- The quality policy should be expressed in a language which is easy to understand.
- The objectives should be ambitious and achievable.
- Management should demonstrate commitment visibly and actively on a continuing basis.
- Initiating, managing and following up on the implementation of the quality policy including implementation of the quality systems.

Verification resources and Personnel involve

- Training
- Awareness of standards and verification arrangements which exist
- Sufficient time to do the work
- Documented procedures
- Equipment

Joseph Juran recommends 10 steps for continuous quality improvement.

- Build awareness for the need and opportunity for improvement.
- Set goals for improvement
- Organize people to reach the goals
- Provide training throughout the organization
- Carry out projects to solve the problems
- Report progress
- Give recognition
- Communicate results
- Keep score

- Maintain momentum by making annual improvement part of the regular system and processes of the company.

W. Edward Demings identified fourteen points that he believed to be critical in improving quality management.

- Institute training
- Institute leadership
- Drive out fear; encourage workers to participate in the organization
- Break down barriers between staff areas
- Adopt new philosophies
- Cease dependency of mass inspection
- End the practice of awarding business depending on price
- Improve constantly the system
- Eliminate slogans, exhortations and target to the workforce
- Eliminate numerical quotas
- Remove barriers to pride in workmanship
- Institute a big program of training and education.
- Take action to accomplish the programs
- Create constant purpose for improvement of products and services

He also introduced the Plan Do Check Act (cycle)

#### **5.4 Areas for further study**

With increasing globalization and competition, it is becoming more apparent that trust as a variable needs to be explored especially in building sustainable trust relationships. There are many variables that influence trust and the reactions to these variable need to be explored. and they include individual and company behaviour or cultural, psychological contracts on how they can influence purchase.

Supplier satisfaction levels; effective and efficient supply chain management is still in its infancy level for research that needs to be given greater attention in future.

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#### **Website Addresses/Footnotes**

1. [www.napm.org/products](http://www.napm.org/products)
2. [www.pmms-  
group.com/suppliermanagment/default.htmlogisticsandtransportmanagementm  
arch2001page25](http://www.pmms-group.com/suppliermanagment/default.htmlogisticsandtransportmanagementmarch2001page25)

## APPENDICES

### APPENDIX A: QUESTIONNAIRES

#### TO THE PROCUREMENT DEPARTMENT

Dear Sir/ Madam,

I humbly ask you to participate in this research on The Roles of Total Quality Management in Procurement: The study is purely for academic purposes and it is a partial requirement for the award of Bachelors Degree in supplies and procurement at Kampala International University to the researcher.

**Instructions:** Please help by answering the following questions as honestly as possible.. Please Tick where appropriate and explain where necessary.

1. Position of the respondents

Manager ☐  
Co-coordinator ☐

2. (i). What are the methods that are employed in your department to carry out total quality management?

- i Training
- ii. Benchmarking
- iii. Quality manuals
- iv. Statistical process control methods
- v. Core values of the organization
- vi. Quality management processes

i & ii	<input type="checkbox"/>	all of them	<input type="checkbox"/>
i, ii, iii, iv, v	<input type="checkbox"/>	i, iii, v, vi,	<input type="checkbox"/>

(ii) Who puts such methods?

Manager	<input type="checkbox"/>	General Manager	<input type="checkbox"/>
You the worker	<input type="checkbox"/>	Main head quarters	<input type="checkbox"/>

Others (please specify).....

3. Is the top management supportive in the ideas and activities of the departments as far as quality management is concerned?

Strongly help	<input type="checkbox"/>	Do not help	<input type="checkbox"/>
Help	<input type="checkbox"/>	Help once in a while	<input type="checkbox"/>

4. In a bid to improve quality in the department. How do the user departments hinder the quality management process of your department?
- (i) Delay purchase requisitions ☐
- (ii) Contact their own suppliers ☐
- (iii) Do not use purchase requisitions? ☐
5. a. Does the department involve suppliers in the total quality management process?
- (i) Yes ☐
- (ii) No ☐
- (iii) Not sure ☐
- b. What type of suppliers are involved in the total quality management process?
- (i) Major suppliers ☐
- (ii) Minor suppliers ☐
- (iii) All of them ☐
- (iv) Not sure ☐
6. What are the methods used to identify suppliers who use quality management processes?
- (i) Self assessment
- (ii) Third party evaluation
- (iii) Quality manuals
- (iv) Quality processes
- (v) Internal quality evaluation
- (i),(ii)&(iii) ☐ (i),(ii),(iii)&(v) ☐
- (ii), (iii), (iv) & (v) ☐ all of them ☐
- Others (Please specify).....
7. In case suppliers deliver wrong quality goods, what are the steps taken?
- (i) Reject goods ☐
- (ii) Reject suppliers ☐
- (iii) Recover goods with right specifications ☐
- (iv) Help suppliers in quality management techniques ☐
- Others (please specify).....
8. When suppliers fail to deliver goods and services in time, what is done to such suppliers?
- (i) Terminate contract ☐
- (ii) Give penalty ☐
- (iii) Nothing is done ☐
9. How is the procurement staff assessed to ensure they are effective and efficient in carrying out Total Quality Management?
- (i) Self assessment
- (ii) Third party evaluators in the organization
- (iii) Use of ISO 9000 guidelines
- (iv) Use of quality manuals
- (v) External third party assessment
- (i) & (ii) ☐ (i),(ii),(iii)&(v) ☐
- (ii), (iii), & (iv) ☐ all of them ☐

Others (please specify).....

10. What are the benefits/roles of total quality management?

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11. What are the challenges faced in your department in implementing total quality management in the department?

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12. What are the solutions that you think can apply to the problems of implementing total quality management in the department?

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## TO OTHER DEPARTMENTS

**Dear Sir/ Madam,**

I humbly ask you to participate in this research on The Roles of Total Quality Management in Procurement: The study is purely for academic purposes and it is a partial requirement for the award of Bachelors Degree in supplies and procurement at Kampala International University to the researcher.

**Instructions:** Please help by answering the following questions as honestly as possible.. Please Tick where appropriate and explain where necessary.

1. Position of the respondents
  - (i) Manager ☐
  - (ii) Coordinator ☐
2. Department of respondent
  - (i) Finance ☐
  - (ii) Quality control ☐
  - (iii) Production ☐
  - (iv) Stores ☐
3. Identify the methods that are used in quality management in your department
  - (i) Self assessment
  - (ii)ISO 9000 guidelines
  - (iii) Quality manuals
  - (iv) Trainings
  - (v) Third party assessments

(i),(ii)&(iii) <input type="checkbox"/>	(ii),(iv)&(v) <input type="checkbox"/>
(i),(iii),(iv)&(v) <input type="checkbox"/>	all of them <input type="checkbox"/>
4. How long does it take the procurement department to effect orders from your department?

- (i) Slow ☐
- (ii) Very slow ☐
- (iii) Fast ☐
- (iv) So fast ☐

5. When orders are placed in the procurement department what type of quality are they?

- |                   |                          |                       |                          |
|-------------------|--------------------------|-----------------------|--------------------------|
| (i) Good quality  | <input type="checkbox"/> | (iii) average quality | <input type="checkbox"/> |
| (ii) Poor quality | <input type="checkbox"/> | (iv) Required quality | <input type="checkbox"/> |

6. What are the steps taken in case goods of poor quality are delivered to your department?

- (i) Reject goods ☐
- (ii) Help procurement identify better suppliers ☐
- (iii) Use the goods ☐
- (iv) Contact your own suppliers ☐

7. What are the problems that you see facing the procurement department?

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8. What is the recommended solution you would advise the procurement department to take into account?

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## APPENDIX B: BUDGET

Item Cost	(Ush)
Stationary	10,000
Transport	50,000
Binding	10,000
Printing	30,000
Meals	40,000
Miscellaneous	20,000
<b>Total</b>	<b>160,000</b>