

**SUPPLIER EVALUATION AND ORGANIZATIONAL PERFORMANCE
A CASE STUDY OF ARUA DISTRICT LOCAL GOVERNMENT**

**BY
ANGUANDIA JOHN
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DECLARATION

I **ANGUANDIA JOHN** declare that the information in this research has neither been published anywhere nor done by any undergraduate for academic purpose. It is original and correct to the best of my knowledge.

Signature.....

Date 27 / 08 / 2018

APPROVAL SHEET

I certify that this work has been under my supervision and now is ready for submission to the college of economics and management.

Signature..... Date...../...../.....

MR MASABA RICHARD

DEDICATION

I dedicate this work to my Family mostly beloved Sister Faith and Brother Nelly, Mom Mary, Dad Elly and beloved Brothers Christino, Enzy and the rest who inspired me through their financial and material support, motivation, guidance and courage in studies and doing my research. Everything you did in supporting me was a sacrifice and I feel indebted to you people.

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LIST OF ABBREVIATIONS

ADLG	-	Arua District Local Government
PPDA	-	Public Procurement and Disposal of Public Assets
PDU	-	Procurement and Disposal Unit
CIPS	-	Chartered Institute Of Procurement Professionals
CAO	-	Chief Administrative Officer

ABSTRACT

The purpose of the study was to examine the relationship between supplier evaluation and organization performance with the case study of ADLG with the aim of making recommendations and conclusions. The study was guided by objectives specifically to examine the relationship between supplier evaluation and organization performance, the criteria used for evaluating and the benefits of supplier evaluation. The study involved secondary sources of data where the researcher related his work with the different author publications and make conclusions based on them. A study was conducted where all the employees of the PDU and some selected staff from other departments were issued questionnaires to be filled and analyzed for findings together with interviews as the primary source of data. Data was collected using self-administered questionnaire to collect data. The data collected was analyzed using quantitative and qualitative methods. The study used a case study design to get an estimation of respondents view in regard to the objectives of the study. The target population was the staff of ADLG though major focus was the PDU. The study therefore used a population of 45 respondents. It employed random sampling method to avoid biasness in data presentation. Due to time constraint, the researcher only used questionnaire and interview methods to gather primary data which was analyzed ethically after collection by use of frequency tables and percentages.

CHAPTER ONE

1.0 Introduction

This chapter includes the background of the research problem, justification of the study, purpose of the study, research objectives, questions and the relevancy of the study, scope of the study, and limitations of the study.

1.1 Background to the study.

Supplier evaluation is a field that continues to attract significant focus in supply chain management literature with effective evaluation and selection of suppliers considered to be one of the critical roles of procurement officers (Narasimhan et al, 2001). A number of parameters exists for the evaluation and selection of suppliers of which include, quality, on time delivery (Ning pi et al, 2005). According to Lyson et al, (2008) suppliers can be appraised on eight parameter namely, finance, production capacity, human resource, quality, performance. Environmental and ethical considerations and organizational structure.

The performance of the suppliers substantially impacts on the effectiveness and efficiency of the buying firm and it's of great importance (Fredriksson et al, 2011). According to Handfield et al, (2009), one reason for supplier selection is that of product development process, meaning that as the product development cycle reduces, suppliers are also required to reduce the delivery cycle or else competent ones will be sought for and those that do not meet the criteria set by firms are supposed to be weeded out (Trevelen 1987). Dwyer (1993) is in agreement that the goal of supplier evaluation is to secure valued resources and technologies of the selected supplier in situations that preclude the option of vertical integration due to resource limitations and managerial constraints. Apart from being able to harness the strengths and skills of suppliers to their advantage, firms that conduct supplier evaluation also benefit from improved quality and process performance and continuous cost reduction (Newman 1988).

Supplier evaluation is a significant process for any organization because on average, products that are purchased account for between forty and sixty percent of sales of end products (CIPS, 2012). This directly influence the quality and cost of purchased products; a small gain in cost due to supplier selection has significant benefits for organizations. Supplier evaluation is one of the activities executed by procurement staff and one whose effective execution determines the success or failure in the procurement performance.

There is a need to identify the strategic supplier related factors and include them in the supplier selection criteria. Some of the factors firms consider include trust and commitment, adequate finance, quality, reliable delivery times, adequate logistic and technological capabilities (Krause, Handfield, & Tyler, 2007). Materials delivery, quality, cost, financial position, communication and technology are recognized as the commonly used criteria a fact confirmed from empirical results as well as in previous literature. However other criteria such as ISO certification, reliability, credibility, good references and product development were are also necessary. This shows that focus is shifting from solely relying on quantitative factors to include qualitative criteria (Araz & Ozkarahan, 2007). Supplier evaluation strategy is important because it can assist an organization in assuring the right competences among procurement staff and the right tools to support an efficient administration, for example e-procurement; Support the achievement of organizational objectives by linking them with the procurement goals (Chen, 2011).

Organization's ability to offer consistent quality and compete largely depends on its access to quality products and services (CIPS, 2013). As market factors change, organizations also need to change. This is particularly true in competitive and globalized markets. Organizations are constantly under pressure to find ways to cut material and production costs through engaging in strategic supplier selection process and evaluation (Weber, 2008). According to Nadir (2012) supplier evaluation is perceived as a tool which provides the buying firm with a better understanding of 'which suppliers are performing well and which suppliers are not performing well' but studies reveal that even after having carried out an in-depth supplier evaluation plus appraisal coupled with the enactment of Public Procurement and Disposals Act (PPDA) of 2005 and other policies on supplier evaluation, inefficiencies still exist.

Supplier evaluation assumes utmost importance in the current scenario of global purchasing. Every organization needs to have an evaluation matrix or model in place. Companies who evaluate their suppliers find that they have better visibility into supplier performance, uncover and remove hidden cost drivers, reduce risk, increase competitive advantage by reducing order cycle times and inventory, gain insight on how to best leverage their supply base, and align practices between themselves and their suppliers.

1.2 Statement of the problem

Selecting the most appropriate source of supplies has long been regarded as one of procurement's most important functions (Ogden et al., 2008). Organizations are therefore moving from the adversarial kind of transactions to the use of a few qualified suppliers with close relationships, a trend attributed to: the customers' demand for higher quality; wider range of products; shorter time to market; and faster deliveries (Karlsson, et al., 2011).

Many studies have been conducted on this but the studies reviewed did not look at supplier evaluation as one of the supply chain management practices that may affect performance of the organization and the interest of this study is to find out whether this has an influence on performance of the organization. It is on this basis that the study seeks to find out the relationship between supplier evaluation and organization performance. The study seeks to answer the following study questions: which criteria are used to evaluate suppliers? What are the benefits of supplier evaluation to the organization? What is the relationship between supplier evaluation and organization performance?

1.3 Purpose of the study

The main purpose of the study was to determine the relationship between supplier evaluation and organizational Performance. A case study of Arua District Local Government (ADLG)

1.4 Objectives of the study

- i. To establish the relationship between supplier evaluation and organizational performance
- ii. To find out the different criteria used for supplier evaluation in ADLG
- iii. To determine the benefits of supplier evaluation to ADLG

1.5 Research Questions

The study based on the following questions

1. What is the relationship between supplier evaluation and organizational performance?
2. What are the different methods of supplier evaluation used?
3. What are the benefits of supplier evaluation to ADLG?

1.6 Scope of the study

1.6.1 Geographical scope

The study was conducted in Arua District Local Government which happened to be the main area of focus so as to establish the impact of supplier evaluation on organization performance. It is located in West Nile region in Northern Uganda which happens to be one of the government funded entities so as to extent government services nearer to the people.

1.6.2 Content scope

Due to the diversity of factors affecting organization performance, the study mainly focused on the relationship between supplier evaluation and organization performance, the tools used for evaluating suppliers and the benefits to contracting authorities.

The content of this study was information from local government departmental offices and staff with the main information been the procurement and disposal unit with all the managers from senior procurement, procurement officer and assistant procurement officer as the sources of information.

1.6.3 Time scope

The study took the period from 2012 to 2017 which is a period of five years with literature on the problem under study got from the publications. This was chosen because it's the period procuring entities started to embark on supplier evaluation for the betterment of procurement and overall organizational performances.

1.7 Significance of the study

The study will be of importance to procurement personnel in the public sector as it will help them to develop benchmarks of best practices in the sector. While the Ugandan government has put in place reforms under PPDA, more needs to be done and this research will offer new viewpoints and suggest solutions for improving supplier selection, evaluation, and organization procurement performance for local governments and these findings will be important for the Government in enhancing efficiency and transparency that have so often been plagued by problems or wastage, corruption, and poor value for money in their procurement processes.

This research is also of academic significance as it will bridge an existing research gap and add to the existing body of knowledge on public procurement in Uganda. The study will also awaken the need for procurement professional to understand that procurement performance need not be passed down to suppliers but rather viewed for what it is to improve the overall organization performance.

The study will also build on the prevailing academic literature on supplier selection, supplier evaluation and organization performance. It will also provide research grounds for future researchers to borrow from while also giving recommendations on the possible areas that may require further research.

The study will aid both public and private entities in understanding the impact of supplier evaluation on the performance of organizations in achieving their objectives and goals as a corporate strategy and realizing value for money.

The study will also help other entities outside Arua both private and government to understand the essence and importance of supplier evaluation by reading the work with the researchers permission. Some of the benefits include, mitigating risks, improving supply performance, leverage the supply base, among others. It will as well help entities in identifying some of the challenges associated with supplier evaluation and how they can be overcome

1.7 Conceptual framework

According to Ravitch and Riggan (2012), a conceptual framework refers to the broad set of principles and ideas taken from applicable areas of enquiry and employed in structuring an ensuing presentation. The study intends to use the following framework (shown in the schematic diagram) in investigating the effect of supplier evaluation criteria on procurement performance in ADLG.

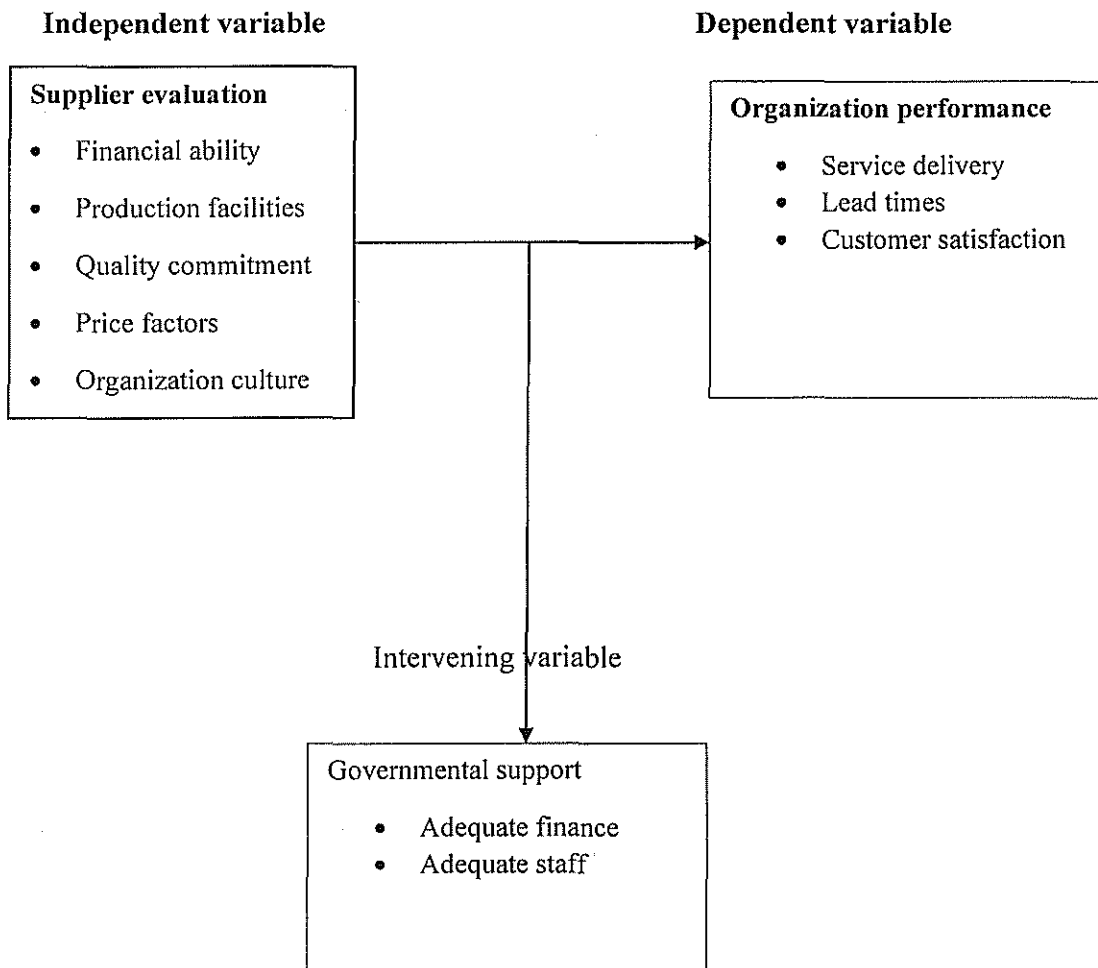


Figure 1: Conceptual framework

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The study will aim at reviewing literature on the evolution of Uganda's public procurement process as well as the factors that contribute towards effectiveness and efficiency in the procurement process. Some of these range from professionalism and staff competence, use of IT in procurement so as to promote fairness and transparency, the effects of procurement procedures including the process of supplier selection and evaluation. Procurement performance entails the attainment of effectiveness and efficiency, as well as cost effectiveness throughout the procurement process.

2.1 The concept of supplier evaluation

Supplier evaluation refers to the process by which organizations assess and appraise potential suppliers using quantitative methods, such as through the use of a questionnaire. This process is done to make sure that a best in class portfolio of suppliers is selected for the organization to use. Supplier selection is a stage during the process of procuring for products and services during which the organization(s) choose the preferred and most qualified supplier (s) from the group that has been evaluated and deemed to meet the requirements in the evaluation process, according to Gordon (2008).

Supplier evaluation is a management activity whose primary aim is acquiring information to analyze and to manage supplier relationships and supply situation (Dobos et al, 2012). The process entails the simultaneous consideration of a number of critical supplier performance features which include price, quality and delivery lead times (Narasimhan et al, 2001). The importance of supplier evaluation is evident from its impact on firm performance and more specifically on final product attributes such as cost, design, manufacturability, quality and so forth.

Due to high costs involved in the appraisal processes, Lyson et al, (2008) suggests that appraisal should be used in the following situation; purchase of strategic high profit, high risk items, where potential suppliers don't hold accreditation, purchase of non-standard items, expenditure on capital items, global sourcing, out sourcing, placing of construction and similar contracts, when entering into JIT arrangements among others. Suppliers may be appraised in many ways; financial ability, quality, production facilities, environmental and

ethical issues and so on (Lyson et al, 2008; CIPS, 2012). These appraisal criteria are explained further in this chapter.

2.2 The concept of organizational Performance

Performance is the level to which a supply chain fulfills the objectives of dependability, cost, speed, quality and flexibility (Slack, 2007). The importance of supplier evaluation can be drawn from its effect on firm performance and, more particularly, on final product features such as cost, design, quality and others (Narasimhan et al, 2004). Narasimhan further argues that strategic evaluation of supplier performance helps buying organizations in improving their operations in a number of ways including, aiding in supplier process improvement, which in turn enhances firms overall performance, allows for optimal allocation of resources for supplier development programs and help managers in re-engineering their supplier network on the basis of performance.

Supplier performance measures, too, help improve efficiency and effectiveness of supply chain (Handfield et al, 2008). As Lyson et al, (2009) points out financial and non-financial performance measures which include quality, time or responsiveness, innovation, physical environment and safety price performance, cost effectiveness, revenue administration and others.

According to Myla 2010, organizational performance can be indicated by the cost effective control alternatives applied to rectify cost inefficiencies or, in short, minimize cost while customers perceived value, nor should they run afoul of safety laws.

2.3 The relationship between Supplier Evaluation and organizational Performance

Supplier selection is largely seen as the most vital role of the procurement function since the organization's suppliers can affect the price, quality, delivery reliability of its products (Li, 2008). Organization's feel that proper supplier selection would assist reduce product and material costs whilst ensuring a high degree of quality and after-sales service (Soonmez, 2006). The implication here is that an efficient appraisal should be in place for the successful supply chain management (Li, 2008).

There are a number of benefits of supplier appraisal, these include; ability to harness the strengths and skills of suppliers to the advantage of buyer (Dwyer, Schurr and Oh, 1987),

improved quality and process performance and continuous cost reduction among others (Newman 1988, Wilson, Dant, and Han). According to CIPS (2007), supplier evaluation is also vital in strategic sourcing, supplier management and the achievement of competitive advantage. Firms that appraise their suppliers find that they have improved visibility to supplier performance, unmask and deal with hidden cost drivers, lower risk, increase competitive advantage through reducing order cycle times and stock, have insight on how to best leverage the supply base, and align practices between themselves and their suppliers (Gordon, 2006). Companies pursuing supplier appraisal commonly see over 20% improvement in a supplier metrics such as on-time delivery, quality and cost.

Supply chain can be full of inefficiencies some due to poor strategies and policies at the suppliers, that results to hidden costs such a stock-outs, carrying costs of over-stocking, incorrect payments of invoices, slow acknowledgement and reporting of shipment and lost sales which in turn affects productivity, quality issues and wasteful costs (extra inspections, additional freight fees, overtime, buffer stocks, obsolete inventory, multiple sourcing) and slow movement of goods which can be improved by supplier evaluation and better communication between suppliers and buyers (Pisello, Gordon, 2006). Evaluating and improving supplier performance using the quality and production capacity criteria can lead to the resultant reduction in supplier quality problems eliminates wasteful steps in a firms own processes and at the same time helps improve understanding of supplier performance and suppliers business policies and processes and thus assisting the buyer help suppliers drive waste and inefficiency out of supply chain resulting in higher-quality suppliers and lower costs which in turn improves the profitability of the buyer (CIPS, 2007. Lyson et al, 2008, Handfield et al, 2008)

The financial criteria of supplier appraisal can give an important insight into supplier performance and business practices which help to reduce business risk, especially given firms increasing dependence on its key suppliers. Some of the suppliers risks that appraisal can mitigate on include; financial, operational, increased geographic distance and the performance of sub-tier suppliers whom the prime supplier has no contract with or knowledge of (Gordon, 2006).

Supplier appraisal aims at reducing purchase from marginal or poor performing suppliers while increasing and concentrating purchases among their more desirable top-performing

suppliers (Wisner, 2008). Appraisal of suppliers and consistent reduction of supply base has implication on performance in terms of cost, design, manufacturability and quality (ISM, 2005). Rationalizing the supply base quality leads to buying world class suppliers, reduction of supply base risks, use of full-service suppliers and ability to pursue complex supply management strategies (Handfield et al, 2009). According to Gordon (2006), supplier appraisal can set a threshold for its suppliers that can lead to higher-quality results, better plan, new products and services based on a good understanding of its suppliers capabilities and performance levels and help understand if local suppliers are capable of reducing total costs enough to out-perform off-shore suppliers.

Supplier evaluation to ensure compatibility between buyer and supplier in terms of shared business ethics, similar standards of excellence, commitment to continuous improvement are important in performance of suppliers (CIPS, 2012). Compatibility is of concern especially in adoption of supply chain best practices like lean enterprise or any performance system that drives shorter delivery times, higher quality and lower prices which could actually have an adverse effect on a supplier who is not aligned with these practices. According to Gordon (2006), a supplier who is unused to pursuing continuous improvement may be unable to keep up with its buyers increasing requirements for better, cheaper, faster goods and services. Supplier appraisal is therefore important to ensure compatibility and reduce risk of failure of supplies (Handfield et al, Lyson, 2008).

The quality criteria helps the supplier in performance improvement (Gordon, 2006). Supplier appraisal is an effective motivation tool when it leads to continuous improvement activities and real supplier performance improvement. A buyer that appraises its suppliers help them motivated to improve on quality, delivery, and cost especially if these are used as yardsticks to unearth the cause of performance difficulties, improve understanding of business operations, cultural factors and the leadership at the supplier which lead to follow-up activities such as supplier training and development, and corrective actions that deal with supplier evaluation findings hence coming up with the best ways to obtain measurable and positive results which will at the end improve profitability and quality performance of the organization.

2.4 Supplier evaluation criteria

Organizations have different policies and criteria that they put in place during suppliers selection. Policies are generally adopted by the Board or senior governance body within an organization whereas procedures or protocols would be developed and adopted by senior executive officers. Organization policies can assist in both subjective and objective decision making process. According to Matook et al. (2009) the operational success of organizations policies will often depend on the development of a network of reliable and trustworthy suppliers and consequently, making the right supplier selection decisions are important. According to Slack and Lewis (2002) if there is a gap of unsatisfactory performance, it's assumed the relief organization will adapt their strategies thus dealing with operational decision areas in allocation of resources, level of cooperation and outsourcing in order to be strategic fit between the enablers and requirements of the beneficiaries.

Due to the high costs involved in the evaluation processes, Kamenya (2014) suggests that criteria should be used in the following situations: purchase of strategic high profit, high risk items, where potential suppliers do not hold accreditation, purchase of non-standard items, expenditure on capital items, global sourcing, outsourcing, placing of construction and similar contracts, among others. Suppliers may be evaluated in many ways: financial ability, quality, production facilities, environmental issues, supplier's organizational culture, and cost factors production capacity and employee capabilities among others (Wu, Shunk, Blackhurst, & Appalla, 2007). These appraisal criteria are explained as follows:

2.4.1 Financial Stability

Supplier's financial condition need to be evaluated at the earliest stages of supplier appraisal. Some purchasers view the processes as a pre-screening exercise that a supplier must pass before a detailed evaluation process can begin (Handfield et. al., 2008). According to the Chartered Institute of Purchasing and Supplies (2012) financial status and stability are measured by factors such as profitability, cash flows management, assets owned, debts owed among other factors.

The financial criterion is important since selection of a supplier with poor financial conditions presents a number of dangers to the purchaser. To start with, is the danger that the supplier will go out of business. Then suppliers with poor financial health will not have resources to invest in plant, equipment, or research necessary for long-term performance

improvements. Thirdly, the supplier may become so financially dependent on purchaser. Lastly, financial weakness seems to be an indication of underlying problems (Handfield et al., 2008).

The financial stability will equally reflect on the ability of suppliers to meet the current contract with the purchaser and to ensure a secure future flow of supplies. The financial records may also indicate the risk of delivery or quality problems and more disruptions to supply and more complex legal issues if a supplier becomes insolvent. A supplier that is financially unstable poses three nightmares to the buyer. A buyer may need to insist on quality but the supplier is forced to cut on costs; a buyer may have a claim against the supplier but he may not have sufficient working capital; to meet it and a buyer may wish to insist on speed delivery but supplier cannot pay overtime (Lysons, 2008).

A purchaser therefore needs to look at various sources of financial information to assist come up with decision on financial stability of suppliers. The sources include, published financial statements, the internet, press among others (CIPS, 2012). The assessment of financial stability will need to look at, asset turnover, profitability, value of capital assets, and scale of firms borrowing, possibility of merger or take-off among other factors (Handfield et al, 2008, CIPS 2012).

2.4.2 Suppliers Quality commitment

The British Standards definition of quality is the totality of features and characteristics of a product of a product or service that bear on its ability to satisfy given need (CIPS, 2012). A buyer needs to assess and ensure that a supplier has robust systems and procedures in place for monitoring and managing its outputs. The systems for the detection and correction of defects are called quality control while those for prevention of defects are known as quality assurance and a buyer needs to check whether the supplier has these in place (Lysons et al., 2008).

According to Handfield et al., (2008) an important part of evaluation processes touches on a supplier's quality management systems and philosophy. According to Lysons et al., (2008) firms appraising quality of suppliers will find themselves looking at the following issues: procedures for inspection and testing of purchased materials, accreditation with national and international quality standards bodies such company standards, Association of Trade

Standards, International standards organization (ISO) and British Standards Institution (BSI) (Lysons 2008). The success of the buying organization is highly dependent on how well the suppliers perform. It is also important that the supplier and the buyer have the same idea of what satisfactory quality is (Gallego, 2011).

2.4.3 Production Facilities

According to Lysons et al., (2008) a buyer should also assess a supplier's machinery with attention paid to the following points: the availability of full range of machinery required to produce a required product, mechanisms to overcome shortage of machinery, evidence of good housekeeping, adoption of approaches such as computer aided designs, computer aided manufacture, satisfaction on safety provisions and modernity and well maintenance of machines.

A buyer should focus on suppliers who have listed the name and location of the production facility, whose facilities have complied with ISO 9001 standards, are socially compliant. The supplier should have production experience documentation and the age of the equipment should be assessed (CIPS, 2012)

2.4.4 Supplier's Organizational Culture

Organizational culture is a reflection of common values, beliefs, assumptions and norms of behavior that develop in an organization over time. Culture is explicitly stated in organizational mission and value statements, but is also seen in the attitudes expressed by managers and staff in their behavior, in the look of the premises, the neatness of staff uniforms and all sorts of other expressions (CIPS, 2012). The buyer should therefore focus on the supplier's commitment to innovation, responsibility, ethics, quality consciousness, and communication since this will be crucial indicators supplier's commitment to working in relationships. Evaluation of this will indicate whether there will be compatibility of the values, beliefs and attitudes to quality of those of buyer and supplier.

Since management runs the business and makes decisions that affect the competitiveness of the supplier, a buyer should look at the management competitiveness of the supplier taking into account of the following managerial issues: management practice on long- range planning, management's commitment to TQM, the turnover of managers, professional

experience and educational backgrounds of the key managers, availability of vision about future direction among other things (Handfield et al., 2009).

2.4.5 Cost Factors

A buyer should equally look at a supplier's price and cost factors. Evaluating a supplier's cost structure needs a deep understanding of a supplier's total costs, including: direct labor costs, indirect labor costs, material costs, manufacturing costs and the general overhead costs. Understanding cost structure of the supplier will help a buyer determine how efficiently a supplier can produce an item and at the same time provide means for identification of areas of cost improvement (Handfield et al., 2008).

According to CIPS, 2012, a buyer should be interested in, structure and allocation of costs, competitive pricing, commitment to collaborative cost reduction initiatives, availability of credit terms, the total cost of acquisition and ownership, ability by the supplier to propose an innovative financial approach like gain sharing, warranty, satisfies best value analysis and maintenance costs.

2.4.6 Preference and reservation

According to PPDA regulation (2011), preference and reservation is the establishment of the extent of participation of small and medium enterprises (SME) and disadvantaged groups in public procurement and development of framework for their participation with the idea of promoting local, national and regional industry and support socio-economic development. Buyers in the public sector, therefore look at different groups such as, the disadvantaged persons, local preference, micro-enterprises, region, and citizen contractors among others. Preference and reservation can have a positive impact on the productive sector of a country. Burkhart and Trionfetti (2000) in a study of EU economies countries argue that in most developed countries, public sector purchases from the private sector account for more than 10% of GDP and governments in developed countries will typically favor local suppliers. In their analysis, they postulate that determinants of industry location like factor endowment, market access and intermediate inputs will have a strong impact on industry location if the level of government purchase in that industry is low and vice versa.

2.4.7 Environmental issues

A buyer should also look at the environmental policies of the supplier and the ISO 14001 guidelines on environmental policies in its appraisal (Lyson et al, 2008). According to Handfield et al, (2008) there is increased awareness of the impact of industry on environment and buyers should look at compliance to environment regulations by suppliers to avoid stiff penalties due to non-compliance.

A buyer also needs to look at sustainability issues including, supplier's ethical policy, procedures and guidelines relating to confidentiality of information, guidelines on gifts and hospitality, principles with regard to conflict of interest (Lyson et al, 2008). Social responsibility, ethical criteria and labor standards might include; the development of robust CSR policies and ethical codes, evidence of responsible and ethical labor policies and practices, compliance with international labor organization standard and others (CIPS, 2012)

2.5 Benefits of Supplier Evaluation

There are various benefits associated with an effective supplier evaluation process such as mitigation against poor supplier performance or performance failures. The benefits typically include sourcing from suppliers' that provide high standards of products and service level whilst offering sufficient capacity and business stability. Insight into supplier performance and business practices helps reduce business risks, particularly given companies increasing dependence on its key suppliers. Risks can be financial and operational and increase with geographical distance.

Furthermore supplier evaluation can help customers' and suppliers identify and remove hidden cost drivers in the supply chain. The supply chain is full of potential risks that can originate from suppliers in regards to corporate social responsibility. Some of these risks can be avoided by better communications between suppliers and customers. By better understanding supplier performance and supplier business practices and processes, customers can help suppliers drive waste and inefficiency out of the business, resulting in higher quality suppliers and lower costs. Supplier all face risks, with environmental problems, defects or lack of materials, lack of cash flow etc all threats to the flow of supplies. It is impossible to reduce the risks to zero, but through continuously evaluating the performance of the supplier, you can take sufficient action to keep risks at bay. The evaluation process gives you dialogue with the suppliers, so that you can be aware of the potential risks and then manage them. If

you don't evaluate, it is probable that you will only know the full extent of risks after a major problem has occurred (Lyson and Farrington).

The process of supplier evaluation can motivate suppliers to improve their performance. The goal of supplier evaluation should be supplier performance improvement. While simply measuring performance has a positive effect, supplier evaluation can be most effective when it leads to continuous improvement activities and actual supplier performance improvement. Follow-up activities such as supplier training and development, and corrective actions to address supplier evaluation findings are the best ways to obtain measurable and positive results (Lyson and Farrington 2006)

Increases performance visibility. When companies do not know the facts about how their suppliers are performing, supplier management tends to be based on guesses. Moreover, the simple act of measuring performance can help improve performance. This improvement can be even more dramatic when companies award additional business on the basis of supplier meeting performance goals. This further helps organizations to align customer and business practices. Ideally, suppliers should run their business in alignment with their customers, share the same business ethics, and show commitment to corporate social responsibility and continuous improvement.

Leverage the supply base. By measuring supplier performance, an enterprise can set a threshold for its suppliers that can lead to higher quality results. Companies can better plan new products and services based on a good understanding of its supplier capabilities and performance levels. This provides incentives for the suppliers to implement new procedures or tasks that they can then present at the evaluation. It is not a stick to beat the supplier with, more a way of galvanizing the supplier into action, keeping it constantly focused on the need to ensure that its data and information are all current and updated so on. Supplier evaluation also seems to iron out any problems with the administration involved, such as invoices or delivery notes. This reduces the cost of administering the supply of goods and therefore makes it more efficient.

Better coordination. Although managing risk is important, there are more positive benefits to be had from supplier evaluation. One of these is that evaluation help to bring about better coordination between the supplier and customer. Thus the customer is able to give the

supplier an indication of when extra supplies may be required, well in advance and the supplier can learn just how the customer operates and any issues that may not be serious, but could be eliminated to improve efficiency. This coordination also leads to the supplier being better placed to meet the business objectives of its customer. So instead of working separately, the evaluation process enables suppliers and customers to work together and in tandem. The supplier and the customer will also learn how to align and then integrate practices, processes and procedures to enable joint working to be even more consolidated. Thus it is an important tool to assist in creating a joint working relationship. Increasingly, customers who do evaluate their suppliers indicate that the process leads to fewer defects within the supply chain. This is due to the fact that the increased communication with the customer helps suppliers understand exactly what the customer needs and what does and does not work in practice, so that processes can be improved to reduce the potential for defects.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This section outlines the overall research approach that was used in this research, including the research methodology and the sources of data used. It also outlines the methods employed in data collection and how the data was analyzed, interpreted and then presented. Research methodology refers to the processes used in gathering data and information for the purpose of fulfilling research objectives.

3.1 Research Design

The study adopted a descriptive case study design, which enabled the researcher to keep track of the research activities and helped to ensure that the ultimate research objectives were achieved. Benjamin (2000) points out that the descriptive studies are only restricted to fact finding but may often result in the formulation of important principles of knowledge and solutions of significant problems. This method is preferred because it allows for in-depth study of the case.

According to Riley (1963), research design is a set of methods a researcher has chosen from many available methods to follow in a particular research. According to Kothari (2004), descriptive research studies are designed to obtain relevant and precise information concerning the current status of a problem and whenever possible to draw general valid conclusions from the facts discovered.

3.2 Target population

According to Kombo et al (2006) a population refers to the entire group of persons or elements that have at least one thing in common. Target population is defined as all members of a real or hypothetical set of people, events or objects to which a study wishes to generalize the results of the research study (Bryman and Bell, 2007). The target population was the employees of ADLG and unit of analysis was the procurement department. The unit of observation was employees in the procurement department composed of senior procurement officer, procurement officer and assistant procurement officer.

3.3 Sample size

According to Bailey, 1994 and Roscoe 1975, sample sizes of between 30 and 500 are appropriate for most studies. However this sampling technique has its weakness in that inadequate information can sometimes be given because the selected respondents may be less informed about the topic of research or may be unwilling to offer some information due to personal reasons. In this case, the researcher used Slovene formulae to calculate the number of respondents.

$$n = \frac{N}{1+N^2e^2}$$

Where n = Sample Size; N = Total Population (90) and e = Deviation of Sampling (Degree of Errors at 0.05 Level of Significance)

$$\begin{aligned} n &= \frac{90}{1 + 100[0.05]^2} \\ &= \frac{90}{1 + 100[0.0025]} \\ &= \frac{90}{1+2.010} \\ n &= \underline{45 \text{ people}} \end{aligned}$$

3.4 Sample technique

Random technique of sampling was used because the size of the respondents is predetermined before the research is conducted to avoid bias. According to Cooper and Schindler (2006), a census is a count of all the elements in a population.

3.5 Sample procedure

Random sampling was employed to determine respondents from the company and the different categories of respondents the researcher used. This sampling data collection instrument was pre-tested in which the researcher had to first pre-test and find out whether the sampling technique is efficient or not. The determined respondents were consulted and prior information given to them seeking their consent before they were fully involved in the research. Purposive sampling was also carried out for the division executive and technical team involved in management.

3.6 Data collection sources

3.6.1 Primary sources

This based on the information got from the field from respondents using instruments such as questionnaires, interviews and observation.

3.6.2 Secondary sources

This was information got from the library, journals and internet; basically it helps in the review of the related literature and comparing the information of different authors and/or researchers.

3.7 Data collection instruments

3.7.1 Questionnaire

This was designed in line with the topic, objectives and reason for carrying the research. It included both open and closed-ended questions which provided alternatives of answers from which respondents selected the answer because they are easier to analyze and economical in terms of time. The open ended questions were also used to give respondents a chance to provide an insight into their feelings, interest and backgrounds of the study (Donald and Delno, 2006). This instrument was selected because it is efficient and convenient in a way that the respondent is given time to consult the documents before answering the questions. It is also because the respondent can give unbiased answers since they are given to write whatever is in their mind without consulting answers from anyone. The questionnaire had different rating scales.

3.7.2 Interviews

Interviews were used as a tool to gather primary data from the sample size. It was scheduled with respondents and the questions to interview on mainly focused on the objectives of the study. This tool helped to give first-hand information.

3.7.3 Publications and literature Review

This included detailed review of already existing literature. The tool is selected because it gives accurate, correct and historical data, which may be used for future aspects. The sources of the information here were the libraries, data banks, newspapers, well sourced articles submitted on the net in different websites and any other published information that can

readily be available for use as regards the topic of research in terms known as secondary sources of information.

3.8 Validity and reliability

Content validity was also used. According to Sukaran (2004), content validity is a function of research after the dimensions or elements of a concept have been captured. To ensure validity of results given, the researcher developed adequate research items on each variable. Data was collected through pilot study, the researcher conducted content validity test on the research items.

3.9 Data analysis

The data collected was analyzed using quantitative and qualitative methods by use of frequency tables and percentages so as to reflect the relationship between supplier evaluation and organization performance in ADLG with the purpose of producing quality work free from errors for easy and clear understanding and interpretation for drawing conclusions and recommendations.

3.10 Ethical procedure

Before going to the field, the researcher was given authorization letter from the head of department to be shown to the respondents so as to avoid cases of negligence and refusal to give answers; this enabled the researcher to attain adequate information from the respondents. During the process of data collection, confirmation was given to the respondents in that, the researcher assures the respondents that the reason for the research is for academic purpose only and that no information is be given outside . In addition, some people were asked voluntarily to participate in the interviews. The information gathered was observed and identification of the information was not made available to anyone who was not directly involved in the study hence confidentiality was observed highly.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction

In this chapter, the study systematically presents the results that were obtained from the research conducted. The results are qualitatively presented. The analysis and interpretation follows tabular presentation at some stages and the interview results from the respondents are also presented to supplement the qualitative presentation.

The presentation of the study is guided by the research questions that guided the study

4.1 Data of Respondents

Since sampling was random, the respondents had differences in terms of the background. This included different age groups, positions, number of year's worked, marital status and sex.

4.1.1 Sex of the Respondents

Both males and females were interviewed. The table below indicates sex of respondents.

Table 1: Sex of respondents

Response	Frequency	Percentage (%)
Male	30	67
Female	15	33
Total	45	100

Source. Researcher primary data 2018

According to the table above, the number of respondents was 45 and more of them were male with frequency of 30 making a percentage of 67% out of 100 and females with frequency of 15 making a percentage of 33% out of 100. This implied that male participated more than the females in providing information to the researcher who was able to achieve the target sample size of 45. This reveals that, the staff employed in the study were male depicting a more representation of male in the organization.

4.1.2 Age of respondents

Data on age of respondents collected through the questionnaire was analyzed and results are as presented below.

Table 2: Age of respondents

Age	Frequency	Percentage (%)
18-30	14	31
31-46	25	56
46 above	6	13
Total	45	100

Source, primary data 2018

From the above table, majority pf the respondents were between the age bracket of 31-46 who were 25 in number representing 56% and respondents within the age of 18-30 were 14 making 31% whereas the least respondents were in the age of 46 and above making 13%.

4.1.3 Respondents position

Findings under this section show the positions held by the respondents in the organization and the departments. These are as represented in table 3.

Table 3: Respondent's positions

Position	Frequency	Percentage (%)
Department head	8	18
Department staff	29	64
Others	8	18
Total	45	100

Source. Primary data 2018

From the table, most of the respondents were departmental staff making a number of 29 representing 64% whereas 8 were departmental heads representing 18% and respondents who occupy different positions in the organization were 8 representing also 18% of the respondents.

4.1.4 Respondents number of years worked

This section represents the data about respondents number of years worked at the organization. Data was collected on their respective number of years worked which stated by the researcher as less than 10 years, 11-20 years and above 20 years. These are represented in the table below.

Table 4: Number of years worked

Years	Frequency	Percentage (a5)
Less than 10	5	11
11-20	30	67
Above 20	10	22
Total	45	100

Source. Primary data 2018

With regard to the years worked in the organization. Most of the respondents representing 67% had worked for years ranging from 11-20. They were followed by those who have worked above 20 years representing 22%. 11% of the respondents had worked for less than 10 years making the number to be at 5. This somehow implies that majority of the employees have some experience at the organization.

4.2 Findings on supplier evaluation in the organization

Many criteria can be used to evaluate suppliers. These include, the financial stability of the supplier, quality issues, price factor, and environmental friendliness of supplier among others. The respondents were asked to indicate the extent to which the organization considers the stated criteria in evaluating its suppliers.

Table 5: Extent to which the organization considers supplier evaluation.

Response	Frequency	Percentage(%)
No extent	1	2
Little extent	3	7
Moderate extent	4	9
Large extent	17	38
Very large extent	20	44
Total	45	100

Source. Researcher 2018

From the table above, it indicates that the organization considers supplier evaluation at a very large extent represented by 44% which implies that before any procurement is done, supplier evaluation is undertaken to determine supplier capabilities. Whereas to a large extent represented by 38%, the organization considers supplier evaluation and 2% shows that it's to no extent that it considers evaluation of supplier. Others are represented by 7% for little extent and 9% for moderate extent.

4.3 Findings on performance levels.

Responses were also got from respondents on the extent to which the organization has achieved increase in performance as a result of implementing supplier evaluation. This are represented as below in the table.

Table 6: Extent to which increase in organization performance has been achieved.

Response	Frequency	Percentage (%)
No extent	-	-
Little extent	7	16
Moderate extent	5	11
Large extent	15	33
Very large extent	18	40
Total	45	100

Source. Researcher 2018

From the table above, it can be depicted that to a very large extent, the organization has achieved increase in performance levels due to implementation of supplier evaluation which is represented at 40%, 33% indicates a large extent of increase while 11% and 16% represents moderate and little extents respectively with no response on no extent implying that supplier evaluation has played a pivotal role in enhancing the entire performance of the organization.

4.4 Findings on benefits of supplier evaluation.

This section presents the responses on the benefits of supplier evaluation to the organization which range from leveraging the supply base, uncovering hidden costs and motivation of suppliers among others. The responses are represented below in the table.

Table 7: Responses on extent to which supplier evaluation benefits the organization.

Response	Frequency	Percentage (%)
No extent	1	2
Little extent	5	11
Moderate extent	9	20
Large extent	10	22
Very large extent	20	45
Total	45	100

Source. Researcher 2018

Table 7 indicates 45% respond that supplier evaluation benefits the organization to a very large extent, 22% indicates a large extent, and 20% say the organization benefits to a moderate extent while 11% represents little extent of benefit to the organization while 2% shows no extent of supplier evaluation benefit to the organization.

4.5 Discussion of results.

The results showed that suppliers are evaluated using the preset criteria which are; the financial stability of the supplier, quality issues, environmental friendliness of the supplier and price factor among others. This concurs with Dobos et al, (2012) who posits that supplier evaluation is a management activity which help in acquiring information to analyze supply situations.

The findings indicated that the organization which was under study is doing well in performance that is realized by the reduction in lead time as well as having the hidden costs uncovered and reduced. This is similar to Lee and Billington, (1992) who posits that supply performance measurement is linked to customer satisfaction hence growth in sales, (Lapide, 2013)

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.0 Introduction

This chapter presents summary of the study results discussed in chapter four, conclusions that were made based on the findings as well as recommendations that the researcher made in regard to the study results.

5.1 Summary

The study was undertaken with the aim of investigating supplier evaluation and organization performance with case study of Arua District Local Government. The study findings revealed that the organization mostly considers evaluation based on the financial position of the supplier as well as the flexibility of supplier during evaluation. Other considerations made were supplier efficiency in service delivery, supplier quality issues, and supplier environmental friendliness, supplier compliance with regulatory framework set by PPDA and supplier technical capability among others.

The study findings revealed major contribution of supplier evaluation towards the overall performance of the organization in achieving its set goals and targets. The benefits attained included; better service delivery, quality deliveries, and easy administration with reduced costs, removing and reduction of hidden costs in the supply chain. With regard to organization performance, the study findings indicated that best practices in supplier evaluation results to reduction in product and material costs as well as enhanced quality of output. Findings also revealed that with efficient supplier evaluation, an organization encounters a decreased rate of return inwards, reduced supplier quality problems, elimination of wastes in the supply chain, efficiency in supply chain management and transparency in the procurement management system among others.

The findings on the impact of supplier evaluation on organization performance revealed that evaluation based on the quality of supplier services greatly influences organization performance. As well as evaluation based on the financial position of supplier was also reported to have a great contribution and a very great impact on the performance of organization since it portrays the ability of the supplier to deliver as expected. Evaluation

based on price factor or prices quoted by suppliers was also revealed to have a great impact as it saves costs since the lowest bidder price is considered for contract award which helps the organization to improve performance in other fields.

5.2 Conclusions

The first conclusion was made that supplier quality commitment has significant effect on organization performance of ADLG. Suppliers' level of quality commitment directly determines the level of quality in products and services obtained through procurement activities; product quality is just an aspect of organization performance. In overall, achievement of product quality affects organization performance though the effect is not significant. These findings agree with the findings of Kitheka et al (2013) that the effect of supplier quality commitment is significant for organizations with documented strategies of supplier evaluation. He pointed out that from supplier quality management, an organization may enjoy among other benefits reduced lead times, increased responsiveness to customers, orders and enquiries, customer loyalty, increased profitability, reduced opportunity cost from lost sales and effective communication between the organization suppliers as well as customers. *International Journal of Economics, Finance and Management Sciences* 2016; 4(3): 98-106 105

Secondly, it was concluded that supplier's financial ability has significant effect on organization performance of ADLG and most organizations. Supplier's financial ability directly influences their ability to supply what the organization needs. However, the effect would be significant for organizations that deal with physical products. Aspuro (2015) points out that analysis of suppliers' financial capacity protects organizations from potential risks associated with a supplier and protects the organization from costs and financial risks. Suppliers are more likely to be committed or achieve improved performance, and have predictable deliveries and performance (Jack, 2011). For service organizations like the universities, there is positive effect though the effect is not statistically significant the effect is more or less the same though not statistically significant as revealed in this study.

The last conclusion was made that supplier competence has significant effect on organization performance. Supplier competence determines the understanding and satisfaction of buyer's needs that directly enhances meeting such needs. It is important that supplying professional

have the required skills in supplier relationship management and negotiation so as to be in a position to give optimal value to buyers CIPS (2013)

5.3 Recommendations

The study recommended the following; Supplier selection should be done by experts who are knowledgeable and have expertise to conduct the exercise professionally. This is because supplier selection is a process vulnerable to personal and political interference especially in the public sector. Quality commitment must be considered a critical factor in supplier evaluation and supplier selection. The performance management criteria should focus on suppliers' financial capacity as one of the criteria for supplier selection. This is because suppliers' financial capability directly influences the ability of the suppliers to meet organizational needs. There is need to communicate to all stakeholders who are directly involved in procurement operations on the need to consider financial capacity of suppliers.

The researcher recommended that supplier competence should be considered when awarding supply contracts. It should form the basis of awarding contracts. This is because the level of suppliers' competence determines the suppliers' ability to understand user needs and enhances their ability to satisfy supply needs of the procuring organizations.

5.4 Limitations of the study

Although the study was successfully undertaken, some challenges (limitations) were encountered during the study execution process. These included; financial limitations where the researcher required much funds for data collection as well as meeting other costs in the study event.

Another limitation faced was respondents failing to disclose some information probably for the fear of victimization in case they were being spied or fearing to be copied by competitors hence limiting the researchers' recommendations.

5.5 Areas for further studies

The researcher suggested the following areas for further studies;

A comparative study should be conducted to establish if there is difference in the effects of supplier evaluation on procurement performance between physical product organizations and service organizations.

Further studies should be conducted to relate supplier evaluation and organization performance in private entities to establish whether there is any impact of supplier evaluation on the organizational performance.

Lastly, further study should be conducted on the application of seven progressive steps of supplier evaluation.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

I am **ANGUANDIA JOHN**, a student of Kampala International University pursuing Bachelor's Degree in Supplies and Procurement Management. I am undertaking a research on Supplier Evaluation and Organizational Performance with case study been Arua District Local Government. I kindly request you to provide the necessary information having chosen you to be one of the respondents to enable me complete my research project successfully. This questionnaire is for academic purposes only and information given will be treated with utmost confidentiality.

Thank you for cooperation.

Please tick where appropriate

PART A: Respondent background

1. Gender Female () Male ()
2. Age 18-30 () 31-46 () 47 and above ()
3. Job position
Procurement officer () Assistant Procurement Officer ()
Other (specify).....
4. Number of year worked in the organization
Less than 10 years () 11-20 years () above 20 years ()

PART B: criteria used for supplier evaluation

Kindly indicate on a scale of 1-5 to which the following criteria of supplier evaluation are used by the organization where 1= very small extent, 2= small extent, 3= moderate extent, 4= a great extent and 5= a very great extent

Supplier evaluation criteria	Extent				
	1	2	3	4	5
Financial stability of supplier					
Suppliers organizational culture					
Quality issue					
Price factor					
Production capacity of					

supplier					
Preference and reservation					
Environmental consideration					
Employee capabilities of supplier					

PART C: performance levels

Please kindly indicate here the extent the organization has realized performance levels by implementing supplier evaluation where; 1= very small extent, 2= small extent, 3= moderate extent, 4= great extent and 5= a very great extent.

Performance levels	Extent				
	1	2	3	4	5
Reduced the number of defects					
Increased customer satisfaction					
Improved on time delivery					
Reduced administrative costs					
Reduced cycle time reduction					
Reduced customer complaints					
Reduced reworks					

PART D: benefits of supplier evaluation

Please kindly tick appropriately the extent to which supplier evaluation benefits the organization where 1= very small extent, 2= small extent, 3= moderate, 4= great extent and 5= very great extent.

Benefits of supplier evaluation	Extent				
	1	2	3	4	5
Better coordination					
Identify and remove hidden costs					
Leverage supply base					
Increase performance visibility					
Motivate supplier to increase performance					

THANK YOU VERY MUCH