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Empirical Study on Procurement Planning Practices and Procurement Performance of Centenary Bank, Uganda

*Josephine Namwanje, Perez Nimusima, Kisu Yahaya & Kahdiri
Rwambale*



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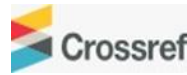
 Josephine Namwanje^{1*}, Perez Nimusima², Kisu Yahaya³ & Kadhiri Rwambale Mohamedi⁴
^{1,2,3,4}Department of Business Administration, Faculty of Business and Management Sciences, Mountains of the Moon University, Fort Portal, Uganda

Corresponding Author's Email: Josephine.Namwanje@absa.africa

Co-Author's Email: Nimusima.perez@mmu.ac.ug

Co-Author's Email: kisuyahya@gmail.com

Co-Author's Email: rkadhiri30@yahoo.com



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Abstract

Purpose: Commercial banks have over time had procurement performance challenges owing from the poor procurement planning as reported in different procurement management literature. This study was carried out to examine the relationship between procurement planning and procurement performance of Centenary Bank Mapeera (CBM).

Materials and Methods: Cross sectional survey research design was used to collect both quantitative and qualitative data from centenary bank team leaders, tender committee members, procurement officers, legal officers, procurement and disposal unit staff, credit officers, branch management officers and from prequalified suppliers and provider's FY 2022/23. From a total population of 190 employees, a sample size of 129 was determined using Slovin's (1965) formula. Specific random and none random sampling techniques were used to select respondents. Data was collected using questionnaires and interview guide and was analyzed using correlation and thematic analysis techniques.

Findings: The findings displayed in the correlation analysis results for CBM ($r = 0.653$,

$p < .01$) show a significant positive relationship between the predictor variable and the outcome variable. Specifically, budgeting and procurement performance at CBM were positive and significant ($r = 0.532$, $p < .01$); needs assessment and procurement performance were significant and positive ($r = 0.484$, $p < .01$); however, for contract administration and procurement performance the relationship was positive but none significant ($r = 0.613$, $p > .05$). The likely explanation here could have been the fact that entities are geared towards cost reduction at the cost of quality improvement which would be possible through procurement planning.

Implications to Theory, Practice and Policy: From this study it is envisaged that commercial banks which institute systematic procurement planning systems would realize improvement in procurement performance.

Keywords: Procurement, Performance, Central Bank, Uganda, Planning

JEL Classification Codes: H32; H57; J18; L91; M21;

1.0 INTRODUCTION

Procurement concept owes origin from ancient history around 3,000 BC though apparently then there was no clearly defined procurement function especially the materials management as Egyptians simply built pyramids using their indigenous material sourcing knowledge. New developments have been realized and today procurement performance concept has grown to become relevant for institutions if they are to acquire and retain a competitive advantage position. Procurement performance in this study is used to refer to the extent to which a company meets its set goals and objectives concerning acquisition of goods and services in its production of products (Masudin et al., 2021). It is assumed here that such a company can attain competitiveness through better lead time, quality supplies (good quality), plan adherence, cost-effectiveness, efficiency and profitability in production (Shaharudin et al., 2021; Hallikas, Immonen & Brax, 2021). If we go by Zhang and Liao, (2022), we believe that such a company can reduce its cost of raw material and services enabling it to competitively market the price of its finished goods. This means a big saving which gives a credit not only to the purchasing department but also top management of that organization. Indeed, procurement management scholars have shown that such established procedural and sequential system with predetermined steps enable honest accomplishment of purchase tasks (Schmelzle & Tate, 2022). Such formal arrangements allow for possible establishment of related procurement policies which link institutional strategies that lead to optimal results. Indeed, here orderliness and efficiency are guaranteed in the overall procurement process work flows. According to Yang et al., (2022), a well-functioning procurement system is built on certain benchmarks, which revolve around legislative and regulatory framework, institutional framework and management capacity, procurement functions, market practices, and procurement planning in the form of needs assessment.

However, owing from the fact that Centenary Bank-Mapeera Main Branch has registered cost ineffectiveness, poor quality of goods/products purchased, untimely service delivery as well as poor inventory management efficiency the researchers get concerned. Beyond that the Centenary Bank Local Sourcing Impact Assessment Survey, (2019), shows that a total of 25% of suppliers were unwilling to continue supplying the bank, and 60% of business people or suppliers interviewed after doing business with the bank were dissatisfied with the low prices they were allowed to charge besides delayed payments and unmet promises. Scholars like Asiedu et al., (2021) and Mazareanu, (2022) report a number of global procurement problems including logistics disruptions, Supply chain-oriented disruptions to financial services and shortages at the rate of 58.0 % in the services sector, stalled consumption and a market fall of over 10 %. Given the criticality of procurement performance for any growth-minded institution, the researchers were made to think that perhaps the procurement planning was precarious. Procurement planning has been introduced in procurement literature as a function that transforms an entity's mission, goals and objectives into measurable activities to be used in planning, budgeting, and management, monitoring contract performance and review (Ivanov, 2020). It is an organisation's operation that determines the procurement requirements, timing for making purchases and the procurement methods. Other scholars refer to it as a yearly budgeting process where departments make budget requests in regard to their staff, expenses, and purchases. The procurement department undertakes the role of identifying common purchasing requirements; then later management consolidates the basic requirements for time frames of procurement exercises for goods and services when they are needed (Jindal et al., 2021). The outcome of this process is the procurement plan detailing supplier

or a group of suppliers' selection, their identification, and decisions for contract awarding (Tarigan, Siagian & Jie, 2021).

Procurement planning and Procurement Performance are reported to be empirically related. For example in the studies by Nuwagaba et al.,(2021); Asimwe, (2022); Aswani et al., (2021); Mélon & Spruk, (2020); Caravella & Crespi, (2020); Braulio-Gonzalo & Bovea, (2020), however these studies were not conducted in the commercial bank context. This study benefits from their findings in many ways: 1) confirmed that proper assessment of the company procurement needs impact positively on procurement performance of public entities; 2) procurement need identification greatly effects procurement performance of state corporations; 3) identification of procurement needs and tendering methods influence procurement performance of public institutions, 4) procurement decision processes in regard to signing contracts for delivering high-quality goods and services influence procurement performance; 5) the imperative for both to know their roles and responsibilities especially in the procurement contract signing to achieve their company performance outcomes (goods and services access, flexibility in implementation and speed in delivery of services and products), 6) honoring and effectively implementing the contract content for both the client and the supplier. These studies did not find interest in investigating how procurement planning affects procurement performance. The failure to study the relationship between procurement planning practices and bank performance at Centenary Bank might lead to delayed service delivery to bank clients, leading to a poor public image from clients and suppliers and eventually a loss of reputation. Therefore, this study set out to examine the relationship between procurement planning practices and procurement performance at Centenary Bank-Mapeera Main Branch. Theoretically, this study contributes to procurement performance literature arguing that commercial banks should give due attention to specific procurement planning issues like participatory meetings, resources allocation, roles and responsibilities, work plans, inventory schedules, production schedules, supplier identification/selection, contract award and payment of supplies seriously. The rest of the paper is organized as follows: Prior studies and hypothesis development come next, then after methods, results, discussion, conclusion and finally Limitations and areas for future research

Prior Studies and Hypothesis Development

Procurement Planning and Procurement Performance

Procurement planning has gained momentum as a key management function especially in an era of procurement management crisis (Asiedu et al., 2021; Mazareanu, 2022). Reportedly some studies have looked at procurement planning in the context of public entities (Nuwagaba et al.,2021; Adamu et al.,2021; Aswani et al., (2021)); determinants of procurement planning (Birara et al., 2022), factors affecting procurement performance (Adjepong & Anane, 2022); factors Influencing Procurement Performance in Humanitarian Relief Organizations (Mwanjumwa & Theuri Simba,2015); behavioural Practices and Procurement Performance (Masaba et al.,2015); effects of procurement planning processes on performance of construction contracts (Muhwezi at al., 2020). Though Nuwagaba et al.,(2021) report a weak positive relationship between procurement budgeting and procurement performance, needs assessment were found to lead to improved procurement performance. Previous studies on procurement planning and procurement performance relationship have found positive and significant relationship (see Muhwezi at al., 2020; Mahuwi & Panga, 2020). The gripping aspect here is that there are yet other studies like Hamza et al., (2016) who report a statistically none significant relationship between procurement planning and procurement performance. A review on these studies shows that the debate on

procurement planning and procurement performance relationship is elusive which justifies this study. Moreover these studies were apparently conducted in public university context, local government and Relief organisations but not in a commercial bank context. On the basis of this, we formulated the hypothesis, thus,

H₀₁: Procurement planning in commercial banks influences their procurement performance

2.0 MATERIALS AND METHODS

This study collected both quantitative and qualitative data in the month of June 2023 at a point in time from Centenary Bank Team Leaders, Tender Committee Members, Procurement Officers, Legal Officers, Credit Officers, Branch Management Officers and from Prequalified Suppliers & Providers FY 2022/23. Out of the total population of 190, a sample size of 129 was determined using Slovin's (1965) Formula. The study used simple random and purposive sampling techniques to select respondents. We pre-tested our study instruments using two academic and two professional personnel in another bank and the validity and reliability values gave us confidence to go for a full study (*see Table 1 below*).

Table 1: Reliability and Validity Statistics

Variables	Total items in the tool (a)	No of items rated positive (b)	Validity coefficient (b/a)	Reliability coefficient
Budgeting	8	07	0.85	0.87
Needs assessment	8	06	0.75	0.84
Contract Administration	8	07	0.85	0.77
Procurement Performance	10	07	0.7	0.78

Besides instrument check, the study tested for the parametric assumptions which informed the choice of data analysis techniques. Data was collected using questionnaires and interview guide and was analyzed using correlation coefficients and thematic analysis technique respectively for quantitative and qualitative data. As part of the ethical approval process, the Mountain of the Moon University, Directorate of Research and Postgraduate Studies issued a field data collection introductory letter to researchers which enabled initiation of the interaction between researchers and the bank management and staff. The study observed anonymity and confidentiality during data collection, analysis and reporting and use of dummy names was resorted to.

3.0 FINDINGS

Study Demographics

The demographic information presented in Table 2 below show respondents' details categorized into gender, age bracket, education level, position held as well as period of experience at CBM.

Table 2: Demographics Characteristics

No.	Items	Frequency (F)	Percentage (%)
1	Gender		
	A) Female	72	60.0
	B) Male	48	40.0
2	Age bracket (years)		0.0
	23– 33	18	15.0
	34 – 44	40	33.3
	45 – 55	43	35.8
	Above 56	19	15.8
3	Education level		0.0
	Diploma	25	20.8
	Degree	45	37.5
	Masters	31	25.8
	Postgraduate and above	19	15.8
4	Position held		0.0
	Banker advisor	18	15.0
	Credit officer	41	34.2
	Procurement officer	15	12.5
	Any other specify (suppliers)	46	38.3
5	Period of service at CBM		0.0
	3 years and below	27	22.5
	4 to 10years	59	49.2
	11 to 20years	19	15.8
	Above 20 years	15	12.5

The study reveals that the majority (60%) of the respondents were female, while 40% of the respondents were male an indication that more females are working with CBM as compared to the males. Equally a big number of respondents (35.8%) were aged between 45 and 55 years which could equally have implications of quality of procurement decisions taken at the bank. This decision quality effect could also link with the fact that people holding degrees were predominant (37.5%), and had served for a period of 4 to 10 years (49.2%). Self-reporting bias common in most perception-based studies was cautiously attended to by engaging many respondents who were bank suppliers in the study (38.3%).

Table 3: Pearson Correlation Results (r)

		1	2	3	4	5
Budgeting	(1)	1				
Needs assessment	(2)	0.309**	1			
Contract Administration	(3)	0.168**	0.426**	1		
Procurement planning	(4)	0.309**	0.290**	0.409**	1	
Procurement performance	(5)	0.532**	0.484**	0.613	0.653**	1

** Correlation is significant at the 0.01 level (1-tailed).

* Correlation is significant at the 0.05 level (1-tailed).

Source: *Primary Data, (2023)*

From Table 3 above, the study findings confirm a significant and positive relationship between procurement planning and the procurement performance ($r = 0.653$, $p < .01$). Specifically, budgeting and procurement performance at CBM were positive and significant ($r = 0.532$, $p < .01$); needs assessment and procurement performance were significant and positive ($r = 0.484$, $p < .01$); however, for contract administration and procurement performance the relationship was positive but none significant ($r = 0.613$, $p > .05$).

A review of the extracts from the in-depth qualitative interviews, agree with this finding. For example;

“[].... budgeting and performance at CBM complement each other. They have got a very good relationship especially in procurement planning because; our procurement function works towards the budgeting and procurement performance accordingly. []....Good budget management has always helped us improve procurement performance because it leads to timely deliveries given that the procurement process is done within the stipulated schedules and cost estimations []....”. (One official from the PDU)

Reportedly, one of the respondents in relation to needs assessment said:

“[].... CBM ensures that contracts are completed in time through the PDU that ensures all necessary documentation is forwarded to the legal department in time and proper monitoring till completion of the process by closely working with the legal department.

[].....user departments use standard document while compiling such works and, the process is based on demand within the user department and annual budget. However, the process of needs identification takes a very long period, which affects the delivery time due to unnecessary delays []...the procurement team usually try to ensure that the specifications are done in accordance with the PPDA Act..[...] preferably for genuine reasons and within the limits of the annual budgets for every accounting period []....”

Discussion

The study respondents were largely female; with age range of 45 to 55, predominantly holding degrees and had worked at CBM for a period between 4 and 10 years. This means the responses used to draw conclusions came from aged, educated and experienced people, which have a strong bearing on the quality of the study results and conclusions. The study apparently reported a positive

and significant relationship between procurement planning and procurement performance ($r = 0.653$, $p < .01$). This finding has different theoretical implications- 1) budgeting and procurement performance are complementary thus managers must always ensure that stipulated schedules and cost estimations are adhered to; 2) since proper assessment of the company procurement needs impact positively on procurement performance managers should ensure specifications are done in accordance with the PPDA Act; 3) parties in procurement process management should always ensure delivery of high-quality goods and services. The relationship between Contract Administration and procurement performance was positive but none significant perhaps showing failures in contract management at CBM. The likely explanation for this like elsewhere could have been the fact that entities are geared towards cost reduction at the cost of quality improvement which would be improved through systematic procurement planning; 4) the findings of this study relate strongly with policy formulation at firm level in terms of procurement planning dynamics that have more relevancy in terms of changing the shape of corporate procurement performance. Previous studies like Mahuwi & Panga, (2020) report positive and significant relationship between procurement planning and procurement performance, just like Nuwagaba et al.,(2021); Mélon and Spruk, (2020), however their studies were not conducted in a bank setting. The in-depth qualitative results had relative similar voice:

“ [] before payments are made to the supplier/contractors, audit team at CBM does the Certification of the works, checking evidence of goods received and acknowledging that the delivery of goods/supplies is as per the specifications []....however at times there are inconsistency and untimely delivery which is caused by insufficient qualified procurement specialists []....”

4.0 CONCLUSION AND RECOMMENDATIONS

This study was carried out to examine the relationship between procurement planning and procurement performance of Centenary Bank Mapeera (CBM). The findings shown above have confirmed that theoretically, procurement planning significantly influence procurement performance. For purposes of rethinking the trajectory for improving procurement performance for institutions, the authors in this paper urge managers to institute appropriate budgeting, needs identification and contract administration structures. For improved procurement performance, managers should specifically ensure timely participatory meetings, proper resources allocation, clarity of roles and responsibilities, contingency Planning, work plans, Inventory schedules, production schedules, systematic supplier identification/selection, contract award and payment of supplies.

Contributions Made to Theory, Practice and Policy

From the literature review conducted it was observed that a few researchers have had interest in investigating the extent to which procurement planning affects procurement performance. Since failure to study these relationships could derail service delivery to bank clients, leading to a poor public image from clients and suppliers and eventually a loss of reputation, this study picked interest. Moreover previous procurement performance researchers have exhibited differing views regarding the antecedents of procurement performance. By using procurement planning perspective, this study theoretically, makes a contribution to procurement performance literature by urging commercial bank managers and policy makers to give due attention to specific procurement planning aspects including but not limited to: participatory meetings, resources

allocation, roles and responsibilities, work plans, inventory schedules, production schedules, supplier identification/selection, contract award and payment of supplies. This study unveils empirical and theoretical linkages between procurement planning and procurement performance by putting emphasis on specific procurement planning dimensions that are core for improved procurement performance system. As researchers we strongly believe that this work is valuable for a wide audience of management practitioners across industries because both public and private entities engage in acquisition function thus an imperative for better management of the whole procurement process.

Limitations and Areas for Future Research

This study achieved its objectives despite the limitations. Firstly, it only looked at procurement planning as the only predictor of procurement performance which is not true, considering the multi-dimensionality of procurement performance. The second limitation is that the study envisioned procurement performance as cost effectiveness, quality of goods/products purchased, timely service delivery and inventory management efficiency which are not exhaustive. The third source of this study limitation is its cross sectional nature which does not permit collection of evidence across time. Since contract administration was witnessed as an area of need, future researches should investigate it in a non-banking context using a longitudinal design.

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Declaration of Conflict

The authors declare that there are no known competing interests of any form.

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