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**Effects of Procurement Processes on the Performance of Internationally Financed Projects in Akure Metropolis, Ondo State, Nigeria**

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**Abstract**

The study examined the effects of procurement processes on the performance of internationally financed projects in Akure metropolis, Ondo State, Nigeria. Selected internationally financed projects such as Youth Employment and Social Support Operation (YESSO) as well as Community and Social Development Project (CSDP) was used in this study. Forty-five (45) copies of a closed ended questionnaire were distributed and all retrieved. Both descriptive (frequency, table, mean, standard deviation, percentage) and inferential (Pearson correlation) statistics were used to analyse the data collected. The findings revealed that need assessment, specification development, procurement plan, bidding process, bid evaluation, request for proposal, evaluation of request for proposal, contract award as well as consultancy services were procurement processes utilised by internationally financed projects in the study area. The hypothesis was tested using Pearson Product Moment Correlation at 0.01 level of significance. The result showed that  $r = 0.125$ ,  $p = 0.414 > 0.01$ . Based on this, the null hypothesis was accepted while the alternate hypothesis was rejected. The findings revealed that there is a positive linear correlation between procurement processes and performance of internationally financed projects but there is no significant relationship between the effect of procurement processes and the performance of internationally financed projects in the study area. Based on the findings, recommendation were made that methods of reducing lengthy process of procurement should be devised.

**Keywords: Procurement Processes, Performance, Internationally Financed Projects, Pearson correlation.**

## 1.0 INTRODUCTION

Procurement can be described as the acquisition of raw material, work in progress, or finished products, goods, services or works for the actualisation of the firm's objectives. This is performed either internally or externally by some guiding processes such as sourcing, purchase, order processing, inventory management, transportation, warehousing, and customer service that helps promote the effectiveness of procurement activities (Karungani & Ochiri, 2017). Procurement is a concept that involves a lot of processes and procedures such that during the procurement processes, a set of regulations are needed not only to govern but instil sanity, in order to avert the misconducts, uncertain and underhand methods of procurement (Iregi & Kipkorir, 2017). By so doing, it adds value to the organisation which enhance its performance (Leenders, Johnson, Flynn & Fearson 2008). Parastatals and other organisation must therefore adhere to these rules and regulations during their procurement practices (Iregi & Kipkorir, 2017).

Public procurement is concerned with how the public sector spends taxpayers' money on goods and services (Hall, 2009). According to Odhiambo and Kamau (2003), Public procurement originated from the obligation and need for the government to make available certain infrastructure to improve the lives and status of its citizens. Some of such infrastructures are; health care, schools, roads, electricity among others. Based on this, the public procurement sector operates in an environment of increasingly intense scrutiny driven by technology, program reviews, and public and political expectations for service improvements (Bolton, 2006). Recent studies have pointed out the significance and need of moral and ethical behaviour in addition to technical and professional competencies during procurement (Ndumbi & Okello, 2015).

According to Oduma and Getuno (2017), the aim of public procurement and disposal regulations of 2006 was to promote fairness, transparency, ethical practices and

professionalism in procurement in public institutions with a view to ensuring effective use of public funds. However, despite the enactment of the procurement laws and regulations which were meant to bring about order and sanity in the public procurement sector, many procurement activities still suffer from neglect, lack of open competition, corruption, inefficiencies, misuse of public funds as well as delays in delivery of projects, goods and services (Mburu & Njeru, 2014). Consequently, there are numerous cases of exaggerated prices, and behind schedule projects which is contrary to the public procurement act.

The study assessed the effect of procurement processes on the performance of internationally financed projects in Akure metropolis. Internationally financed projects such as Youth Employment and Social Support Operation (YESSO) as well as Community and Social Development Project (CSDP) employ these processes when procuring goods, product, work or service but not all is used at once. The selection of each organisation is dependent on the sensitivity of the project being embarked upon.

### **1.1 Objectives of the Study**

The general objective of the study assessed the Procurement Processes on the Performance of Internationally Financed Projects with a view to proffer ways of improving the processes to maximize output. While the specific objectives are to:

- i. identify the procurement processes utilised by internationally financed organisation;
- ii. establish the challenges faced by internationally financed projects in the adoption of the procurement processes; and
- iii. examine the effect of procurement processes on the performance of internationally financed projects.

### **1.2 Hypothesis**

$H_0$  = Procurement processes have no significant effect on the performance of internationally financed projects;

$H_1$  = Procurement processes have significant effect on the performance of internationally financed projects.

## **2.0 LITERATURE REVIEW**

### **2.1 Concept of Procurement Processes and Performance**

#### **2.1.1 Procurement and Procurement Processes**

Procurement can be defined as “all of those activities such as sourcing and purchasing, order processing, inventory management, transportation, warehousing, as well as customer service associated with acquisition of goods, from raw materials stage through to the end products (Thai, 2001). Though the processes employed by organisation differ from one organisation to another organisation due to various reasons, there abound some similarities in the processes that is used by public organisation, especially those that are internationally funded. Whichever method of procurement is chosen, i.e. either open tendering or restricted tendering, the processes involved are: Need assessment, Specification Development, Procurement Plan, Bidding process, Evaluation, Request For Proposal (RFP), Evaluation of Request For Proposal, Contract Award, and Consultancy services (World Bank, 2004), but are summarized by Iregi and Kipkorir (2017) into: Specification Development, Prequalification, Tender Processing, and Contract Award.

#### **2.1.2 Organisational Performance**

Organisational performance is the realization of the goals of the organisation. An obvious measure of performance of any organisation is the amount of money saved by the organisation through prudent procurement practices. However there are a number of performance measurements that can be used when measuring organisational performance such as Cost Management, Product or Service Review, Quality Management, among others (Oduma and Getuno, 2017). These performance measures typically revolves around efficiency and effectiveness.

## **2.2 Theoretical Review of Literature**

### **2.2.1 Agency Theory**

This theory invokes the Principal-Agent relationship between staff and the targeted citizens. The theory thus puts it that it is in the best interest of the staffs to discharge all their duties with transparency, integrity and accountability to their principals who are the targeted citizens and consumers of output (Thai, 2006). This theory aligns with the factor of consumer satisfaction as one of the measures of organisational performance. In addition to the agency relationship between project staffs and target citizens, there may be a number of internal stakeholders possibly with conflicting goals, thereby making the procurement process more complex and possibly biased. These groups of internal stakeholders may include the political leaders, the citizens, the interest groups operating with the locality, central government, services recipients and the business interest within the County, (Gull, 2010).

### **2.3 Empirical Studies**

Karungani and Ochiri (2017) carried out a study on the effect of internal procurement processes on organisational performance. The study employed stratified random sampling technique, with the use of simple structured questionnaires to collect data. The findings of the research showed that internal communication on such aspects as quality controls, inventory management and staff training, development and performance significantly influenced efficiency of the procurement function and hence overall organisational performance. This research also revealed that internal procurement processes like order processing, information sharing and payment processing bring forth improved organisational performance. This contrasts with views of Lardenoije, Van Raaij and Van Weele (2005) who argue that internal procurement processes focus on financial aspects neglecting non-financial aspects in effect leading to overall poor organisational performance (Karungani and Ochiri 2017).

Iregi and Kipkorir (2017) studied the effects of procurement processes on the performance of public sector organisation, using Kenya electricity generating company as a case study. The study concludes that specification development, prequalification, tender processing steps and inspection (after the award of the contract) positively affects performance of procurement and by extension KenGen's (Kenya Electricity Generating Company Limited) performance by 67.6%.

Odhiambo and Theuri (2015) adopted a descriptive research design and primary data that was obtained using structured and semi structured questionnaires to research on the effects of public procurement processes on organisation performance. This allowed for a more specific direction of response to the structured questions, as well as a degree of freedom of response to the semi structured questions. The study gave the quantitative relationship between the quality and skills of manpower, supplier management and stakeholder involvement, and organisational performance. It showed that stakeholder integration, skill level of the human resource and supplier management have direct correlation with organisational performance such that organisational performance increase with each increment in the effectiveness of the factors. The study concluded that stakeholder integration in the procurement process has the highest correlation with organisational performance and should be encouraged. And that the skill level of the human resource is also a vital contributor to organisational performance. Thus, organisation are encouraged to recruit highly skilled personnel and invest in providing personnel training.

### **3.0 METHODOLOGY**

The study used the convenience sampling technique to obtain information from 45 respondents of selected internationally financed projects in Akure, metropolis, Ondo State, Nigeria using structured questionnaire. Information on the demographic characteristics of the respondents was obtained and using questionnaire on a five point Likert scale, procurement

processes utilised in the study area, challenges in adoption of procurement processes were identified and established. Also, effect of procurement processes on performance of internationally financed projects was assessed. The data obtained were analysed using the tables, frequencies, mean, percentages, and Pearson Correlation Analysis.

#### **4.0 RESULTS AND DISCUSSION**

Forty-five copies of structured questionnaire were distributed and all which represents (100%) were returned. Findings revealed that majority of the respondents have spent more than five years within the current organisation and large percentage of the respondents are involved in the procurement processes carried out within the organisation.

##### **4.1 Procurement processes of internationally financed organisation**

Table 1 presents the procurement processes utilised by internationally financed projects in Akure metropolis, Ondo state, Nigeria. These processes are arranged in descending order of their mean value. The procurement processes include: The procurement plan with a mean value of 4.56 and a standard deviation of 0.659 and was ranked 1<sup>st</sup> (i.e. most respondents agree that creating a procurement plan is a vital process in procurement). Contract award was rated 2<sup>nd</sup> with a mean value of 4.47 and a standard deviation of 0.661. Bid evaluation was rated 3<sup>rd</sup> with a mean value of 4.42 and a standard deviation of 0.812. Specification development has a mean value of 4.40 and a standard deviation of 0.889 while bidding process also has a mean value of 4.40 but a standard deviation of 0.837, and both were rated 4<sup>th</sup>. Need assessment has a mean value of 4.36 and a standard deviation of 0.863. Request for proposal has a mean value of 4.27 and a standard deviation of 0.863. Evaluation of request for proposal has a mean value of 4.22 and a standard deviation of 0.927. Consultancy services has a mean value of 4.18 and a standard deviation of 0.806. The result of the analysis shows that majority of the respondents agreed with the procurement processes identified. Thus, these processes are the procurement process being used by internationally financed projects

during their procurement process. These processes are selected in various combination and does not necessarily need to involve all processes, rather, the combination of use is dependent on type of procurement and commodity or service to be procured. The study is in agreement with Iregi and Kipkorir (2017), and the World Bank (2004) which listed the procurement process as; need assessment, specification development, procurement plan, bidding process, bid evaluation, request for proposal, evaluation of request for proposal, contract award, and consultancy services.

**Table 1: Procurement Processes used by Internationally Financed Projects**

<b>Organisational Process</b>	Mean	Std. Deviation	Rank
Procurement plan	4.56	0.659	1 <sup>st</sup>
Contract Award	4.47	0.661	2 <sup>nd</sup>
Bid Evaluation	4.42	0.812	3 <sup>rd</sup>
Specification Development	4.40	0.889	4 <sup>th</sup>
Bidding process (solicitation, collection, and setup of evaluation committee)	4.40	0.837	4 <sup>th</sup>
Need assessment	4.36	0.830	6 <sup>th</sup>
Request For Proposal (RFP)	4.27	0.863	7 <sup>th</sup>
Evaluation of Request For Proposal	4.22	0.927	8 <sup>th</sup>
Consultancy services	4.18	0.806	9 <sup>th</sup>

*Field Survey, 2019*

#### **4.2 Challenges faced by internationally financed projects in the adoption of the public procurement processes**

Table 2 depicts challenges faced by internationally financed projects in the adoption of the procurement processes. Mean ranking was used to analyse the challenges faced by internationally financed projects in the adoption of the procurement processes. These include: Governmental influence was ranked 1<sup>st</sup> with a mean value of 3.71 and a standard deviation of 1.199. Conflicts of interest has a mean value of 3.60 and a standard deviation of 1.195 and ranked 2<sup>nd</sup>. Possible biasness of staffs has a mean value of 3.56 and a standard deviation of 1.119. Inexperience of some evaluators has a mean value of 3.44 and a standard deviation of 1.139. Manipulation of procurement processes by superiors has a mean value of



3.40 and a standard deviation of 1.388. Report altering has a mean value of 3.24 and a standard deviation of 1.282. The result of the analysis shows that there was a rather significant number of respondents that disagrees with the challenges, but the larger proportion that agrees with the challenges indicates that there are scenarios in which each of the challenges occur and it varies from organisation to organisation. This agrees with Iregi and Kipkorir (2017) and World Bank (2004) list of challenges inherent in fully adopting the procurement processes.

**Table 2: Challenges faced in the adoption of procurement processes utilized by internationally financed projects**

Challenges	Mean	Std.	
		Deviation	Rank
Governmental influence	3.71	1.199	1 <sup>st</sup>
Conflicts of interest	3.60	1.195	2 <sup>nd</sup>
Possible biasness of staffs	3.56	1.119	3 <sup>rd</sup>
Inexperience of some evaluators	3.44	1.139	4 <sup>th</sup>
Manipulation of the procurement processes by superiors to align with their needs and expectation	3.40	1.388	5 <sup>th</sup>
Report altering	3.24	1.282	6 <sup>th</sup>

*Field Survey, 2019*

### **4.3 The effect of procurement processes on the performance of internationally financed projects.**

Table 3 measures the effect of procurement processes on the performance of projects that are internationally financed using mean ranking. Better products and services was ranked 1<sup>st</sup> with a mean value of 4.13 and a standard deviation of 1.079. The procurement plan is dependent on the procurement process to be used has a mean value of 4.04 and a standard deviation of 0.903 and ranked 2<sup>nd</sup>. Does error in evaluation of bids affect consultant selection has a mean value of 3.98 and a standard deviation of 0.988. Improves profitability through effective cost management system has a mean value of 3.93 and a standard deviation of 1.136. Improves customer satisfaction and competitive value of services and products has a mean value of 3.93 and a standard deviation of 1.095. Procurement processes affects the quality of goods,

products or services offered has a mean value of 3.89 and a standard deviation of 1.005. Contract award influences the organisation's image during and after execution of the contract has a mean value of 3.87 and a standard deviation of 0.991. During evaluation, staff performance is increased has a mean value of 3.80 and a standard deviation of 1.057. Wrong or insufficient specification of need affects the output of organisation has a mean value of 3.78 and a standard deviation of 1.020. The timely delivery of services or goods is affected by the procurement processes has a mean value of 3.78 and a standard deviation of 0.927. The procurement processes affects or influences the experience of staffs has a mean value of 3.60 and a standard deviation of 1.176. Reduces time from design to market has a mean value of 3.53 and a standard deviation of 0.919. The procurement processes can lead to a delay in delivery has a mean value of 3.44 and a standard deviation of 1.358. When assessing organisational needs, does procurement processes affect it in any way has a mean value of 3.44 and a standard deviation of 1.119. Captures large share of market has a mean value of 3.44 and a standard deviation of 0.943. The result of the analysis shows that an appreciable number of the respondents (the larger percentage) agreed that the procurement processes affects various aspects of performance of the organisation. This is in agreement to Oduma and Getuno, (2017) who used Cost, Quality, Effectiveness and Efficiency as primary measures of performance of organisation.

**Table 3: Effects of procurement processes on performance of the projects**

Effects	Mean	Std. Deviation	Rank
Enables better products and services, faster and customer friendly channels of distribution and mass customisation	4.13	1.079	1 <sup>st</sup>
The procurement plan is dependent on the procurement process to be used	4.04	0.903	2 <sup>nd</sup>
Does error in evaluation of bids affect consultant selection?	3.98	0.988	3 <sup>rd</sup>
Improves profitability through effective cost management system	3.93	1.136	4 <sup>th</sup>
Improves customer satisfaction and competitive value of services and products	3.93	1.095	4 <sup>th</sup>
Procurement processes affects the quality of goods, products or services offered	3.89	1.005	6 <sup>th</sup>
Contract award influences the organisation's image during and after execution of the contract	3.87	0.991	7 <sup>th</sup>
During evaluation, staff performance is increased	3.80	1.057	8 <sup>th</sup>
Wrong or insufficient specification of need affects the output of organisation	3.78	1.020	9 <sup>th</sup>
The timely delivery of services or goods is affected by the procurement processes	3.78	0.927	9 <sup>th</sup>
The procurement processes affects or influences the experience of staffs	3.60	1.176	11 <sup>th</sup>
Reduces time from design to market	3.53	0.919	12 <sup>th</sup>
The procurement processes can lead to a delay in delivery	3.44	1.358	13 <sup>th</sup>
When assessing organisational needs, does procurement processes affect it in any way?	3.44	1.119	13 <sup>th</sup>
Captures large share of market	3.44	0.943	13 <sup>th</sup>

*Field Survey, 2019*

#### 4.4 Hypothesis Testing

**H<sub>0</sub>** = Procurement Processes have no significant effect on the Performance of Internationally Financed Projects

**H<sub>1</sub>** = Procurement Processes have significant effect on the Performance of Internationally Financed Projects.

Table 5 shows the outcome of the Pearson Product Correlation Coefficient of the effect of procurement processes on the performance of internationally financed projects in Akure metropolis, Ondo State, Nigeria. The table indicates that there is no significant relationship between the effect of procurement processes and the performance of internationally financed

projects in the study area. Consequently, the null hypothesis was accepted while the alternate hypothesis was rejected. The result showed that  $r = 0.125$ ,  $p = 0.414 > 0.01$ . This shows that there is a positive linear correlation between procurement processes and performance of internationally financed projects but there is no significant relationship between the effect of procurement processes and the performance of internationally financed projects in the study area

**Table 5: Relationship between Procurement Processes and Performance of selected Internationally Financed Projects**

		Procurement Processes	Performance of financed Project
Procurement Processes	Pearson Correlation	1	.125
	Sig. (2-tailed)		.414
	N	45	45
Performance of internationally financed projects	Pearson Correlation	.125	1
	Sig. (2-tailed)	.414	
	N	45	45

*Field Survey, 2019*

## 5.0 CONCLUSION AND RECOMMENDATIONS

### 5.1 Conclusion

The study assessed the effect of procurement processes on the performance of internationally financed projects in Akure metropolis, Ondo state, Nigeria. The study revealed the existence of procurement processes in the study area but concluded that there is no significant relationship between the effects of procurement processes and the performance of internationally financed projects. This implied that the performance of internationally financed projects in Akure is independent on the processes employed for procurement. Based on the findings, the study recommends that methods of reducing the lengthy process of procurement should be devised and employed in order to reduce lead time and as well facilitate faster delivery of project deliverables.

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