



# THE IMPACT OF BUDGET ON THE PERFORMANCE OF PROCUREMENT FUNCTIONS IN PUBLIC SECTORS: THE CASE OF TANZANIA PORT AUTHORITY – HEAD QUARTERS IN DAR ES SALAAM, TANZANIA

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## Abstract

*The overall intention of that study was to assess impact of budget on the performance of procurement function in public sectors in the light of Tanzania Ports Authority (TPA). Specifically the study examined the influence of lack of Information and Communication Technology as well as Timely Budget in procurement. Theoretical and empirical literature was done on budgeting. The study used case study design. Primary data was collected using questionnaires. Data was analysed using quantitative techniques. Findings from this study showed that performance of procurement function in public sectors is affected by inadequate and timely budgeting, proper use of ICT infrastructure and competence of the personnel in the procurement sector to ICT based systems and processes and the overall undertaking of the procedures and guidelines to public procurement. Observed from this study 36.7% of respondents said that the TPA use electronic mail services to perform different procurement duties; 23.3% use well-established ERP systems and 40% of respondents said there is the use of electronic data interchange (EDI) enhancements. These findings indicate the presence of ICT Software/Program relevant for procurement duties at TPA. It is recommended by this study that; the TPA should improve and*

*prioritize the Budget in terms of timing and making it adequate and to ensure that the budget comply with the needs of the organization in terms of training to staffs, ICT infrastructure upgrade and overall procurement processes.*

*Keywords; Procurement, Budget, Performance, Public sector, Tanzania*

## INTRODUCTION

Procurement functions are imperative as it can enhance organization's ability to offer more effective and efficient service delivery to clients. The role of procurement is to enhance as well as to promote both efficiency and transparency in the sourcing of institution which search for goods and services (Devaraj *et al*, 2012). The failure by institution to establish procurement function properly might give rise to biased and irregular assessments which are costly to the business (Chan & Lee, 2003; Lodrick, 2001). Procurement functions can enable institutions to operate on optimal level and conduct the purchasing activities according to the realities in the market and asper the buying or renting organization (Achua, 2011). Thus, improvement of procurement performance is necessary so as to ensure that source institution materials are indeed procured during the right time and at a reasonable cost and inline to the public regulations. This would lead to enhanced organization procurement process leading to improvements on quality of offered products and services at the least expense (Porter, 2011).

Procurement performance is affected by different factors worldwide like staff competence (Hamza, Gerbi, and Ali, 2016; Ngugi and Mugo, 2011; Lodrick, 2001), low use of information technology in procurement process (Martikainen *et al*, 2012; Neupane, Soar, Vaidya, & Yong; 2012; Kiragu, 2012; Mark, 2004), and in adequate budget and financial support (Ntayi, & Nantege, 2011). Also, procurement performance is affected by low ability of human resources capacity to monitor procurement process, poor determination of specifications, weak definition of requirements and inadequate budgets as well as weak enforcement of regulations (Banda 2009). Furthermore, political interference, bureaucratic and corruption, long lead time as well as delay in delivery have been identified to hinder the performance (Mrisho, 2005; Mpokwa, 2003; John, 2015; & Kessy, 2016). Musanzikwa (2013) suggested that if staffs responsible for procurement can provided with enough training in procurement the performance on public procurement can improve.

In Tanzania, this problem has been related to incompetency of personnel, inefficiency and ineffective in public procurement policies, delays in procurement due to long procurement processes, high cost of projects, lack of transparency during selection and award of government contract, in- adequate financial support (PPRA, 2012; Kiragu, 2012) Also other factors include

lack of cooperation from user departments and poor planning during the early stage of purchasing (Mark, 2004; Mrisho, 2005).

Procurement performance in different organizations have been affected by different factors which resulted into delays in accomplishment of procurement process or resulting in to poor quality of organization items (Velnampy & Kamularupan, 2009; Rahman & Abdullah, 2010; Patel & Kumar, 2016; Amimo, 2014). Several studies which have identified the factors affecting procurement performance in different sectors have been conducted mostly in developed nations (White, 2000; Rainer & Thomas, 2005; Bright, 2000; Porter, 2011). Many of these studies have directed their intention on the roles of information technology, human resource competencies and financing among many others in procurement process accomplishment. However, there are few studies from Sub-Saharan Africa and Tanzania. Unfortunately, the studies from Sub-Sahara Africa (Chemjor, 2009; Kiragu, 2012; Mugo, 2012; Mark, 2004) and Tanzania studies of Michael (2017) Kessy, (2016), John, (2015) focused more on the influence of corruption, political factors and unethical tendencies.

## **LITERATURE REVIEW**

### **Theories related to the concepts of the Study**

Relevant to the objective under study Contingency theory was applied. The theory address different dimensions of the study variables as explained. Contingency theory this theory propose that there is no best way to organize a corporation, to lead a company, or to make decisions. Instead, the optimal course of action is contingent (dependent) upon the internal and external situation (Brandon, 1987). The essence of contingency theory, also known as situation a theory, is that “management concepts are not universally applicable but are only appropriate if the right conditions exist in a given situation”. In other words, the utilization of the many managerial tools or concepts is contingent upon the specific situation (Payne, 2001; Rastrick, 2010). Therefore, in order for procurement functions to be effective should possess a good management context and the best management of internal and external constraints which can affect the performance of the company and hindering procurement performance during purchasing of goods or services in the organization as per certain period of time in the company (Bower, 2003).

### **Global studies on the factors affecting procurement performance**

Different conducted has highlighted that financial resources with good planned budget improves procurement performance. For example, (Porter, 2011; Thomas & Rainer, 2005; White, 2000; Kiragu, 2012; & Ntayi, 2011; Kessy, 2016 ;) Therefore, from the cited global studies it can be clearly argued that the use of information technology is important in changing the way how the

governments and organizations operate. Under such circumstance the organizational spending is made rational and the use of financial resources is expected to be effective situation which might bring improvement in procurement performance in organizations. Although there are other factors which affects procurement performance like staff with competence and possession of right skills (Bright, 2000; & Banda, 2009; Monezka, 2002; Dobler, 2005; Fordjour, 2013 ;). It is therefore important that staff in an organization when lack the necessary competences should be subjected to training so as to give them the relevant skills. Not only that, Ngugi and Mugo (2012) examined internal factors affecting procurement process and found that staff competences and accountability and ethics affected procurement process. Therefore, it is important to ensure that staffs working in procurement are well educated and update their skills as per need and time.

Moreover, Armstrong (2001) and John (2015) showed that budgeting and financing to procurement activities and functions are necessary for the good performance and effectiveness of any organization. That means that procuring organizations need to set out the necessary budgets and have a good procurement plans which can help in making a timely funding on any purchases made. Also it was revealed that inadequate budgets are related to failure to enforce the conditions of the contract which sometimes results into failure to implement the organizational procurement plans which sometimes affects the functions of other departments in the organization (Bower, 2003). As a driving need in an organization, effective financing of procurement functions normally results into timely and quality of procurement outcomes (Michael, 2017;). This is true due to fact that organizations which are stable in terms of finance enables the procurement capability, implementation sand innovative solutions happen as planned (Mwasambite, 2014). Furthermore, Lodrick (2001) reported that procurement in public institutions suffers from budget constrains indicating a serious failure in the implementation of procurement functions. Likewise, the rational financing, planning and control of procurement functions with no financial fraud results into an effective procurement activity (Mark, 2004; Nantege, 2011; Foster, 2008; Mrisho, 2005; & Mpokwa, 2003).

## **METHODOLOGY**

This study used case study design which involves the study of one unit of study among the population and researcher prefer to use this approach for the purpose of obtaining the picture of a small unit which can be used to make reflection of the large population. It is a useful design as well in conducting a detailed study under a limited time and resources (Krishnaswami, 2003). In terms of approach, the study used quantitative approach to study different elements inline to objectives in the study. The study was conducted at the Tanzania Ports Authority-Headquarters,

Dar es Salaam. The studied population was 50 and a sample size of 30 was drawn from the population using non-probability sampling procedure. Data was collected from through questionnaires. Moreover, documentary reviews of different procurement reports, budgets, Information technology facilities and qualifications of staff working in the procurement department was conducted. Quantitative Data was entered in the Statistical Package for Social Science (SPSS) software, cleaned and then descriptive statistics analysis applied depending on the variables being related. Inline to that the data obtained through documentary reviews was presented then analyzed thematically in consideration to the themes which guided the review process. Specifically, for this paper, data obtained was summarized, edited, coded and tabulated.

## FINDINGS

### Response Rate

Questionnaires were distributed to 30 respondents and the response rate was 100%.

Table 1: Response Percentage

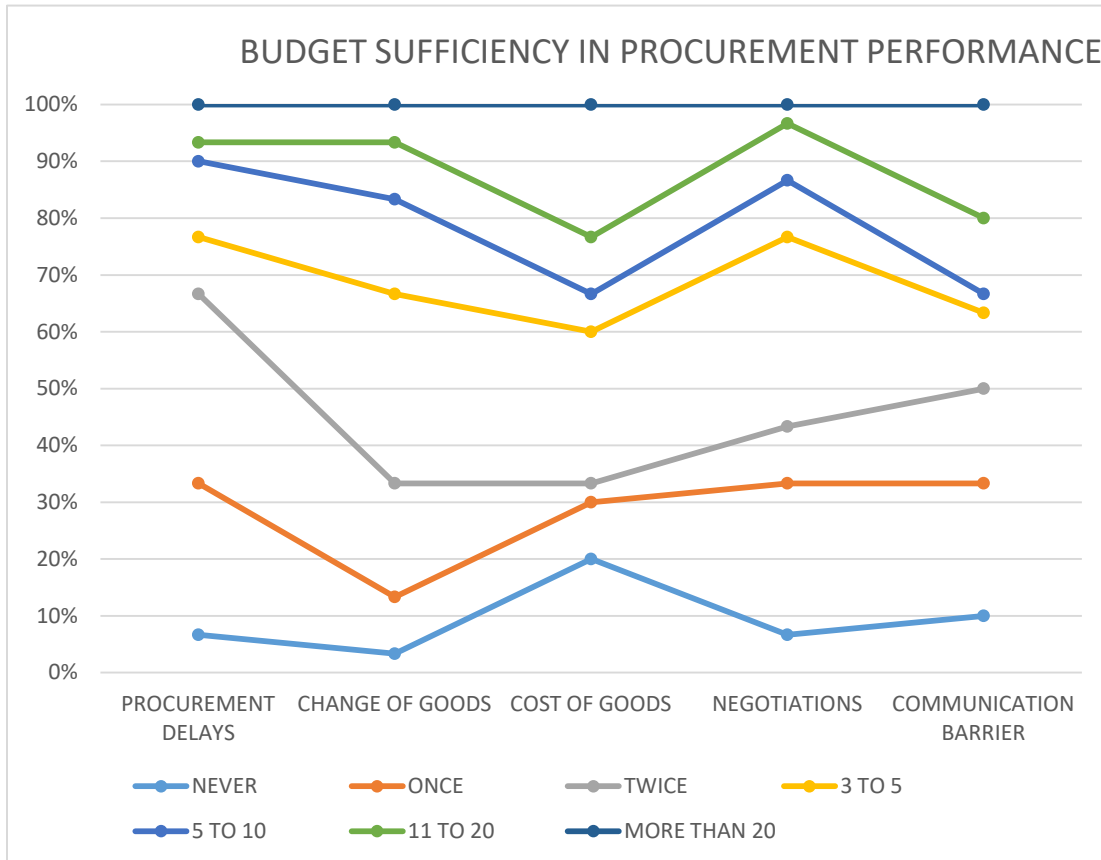
Categories	Targeted Population	Sample Size	Sample Percentage
Top Management	15	03	17
PMU members	10	10	20
Marketing department	10	06	20
Operations department	9	05	30
Finance and accounting	6	06	13
Total	50	30	100

Findings from figure 1 on the impact of budget sufficiency in procurement performance shows that 6 to 10 times caused delay in procurement process in past three years; twice affected the quality of purchased goods; once made difficult to obtain the intended good; twice caused changes to the originally intended good as 70 percent of respondents said so; and a fair distribution of respondents said that 3 to 5 times insufficient budget in the past three years caused re-tendering of the service, caused increase in purchase costs, caused changes of suppliers, caused increased the cost of goods, limited the flexibility in the choice of goods, limited the flexibility in negotiation, caused delivery unreliability, personal frustrations, supplier frustrations, affected your confidence in negotiation, delayed communication with supplier, resulted completely loss of trust from supplier and resulted to unexpected purchase expenses

respectively. This implies that; the budget set by the organization is fairly enough to sustain the budget of TPA yearly.

### The Impact of Budget Sufficient in Procurement Performance

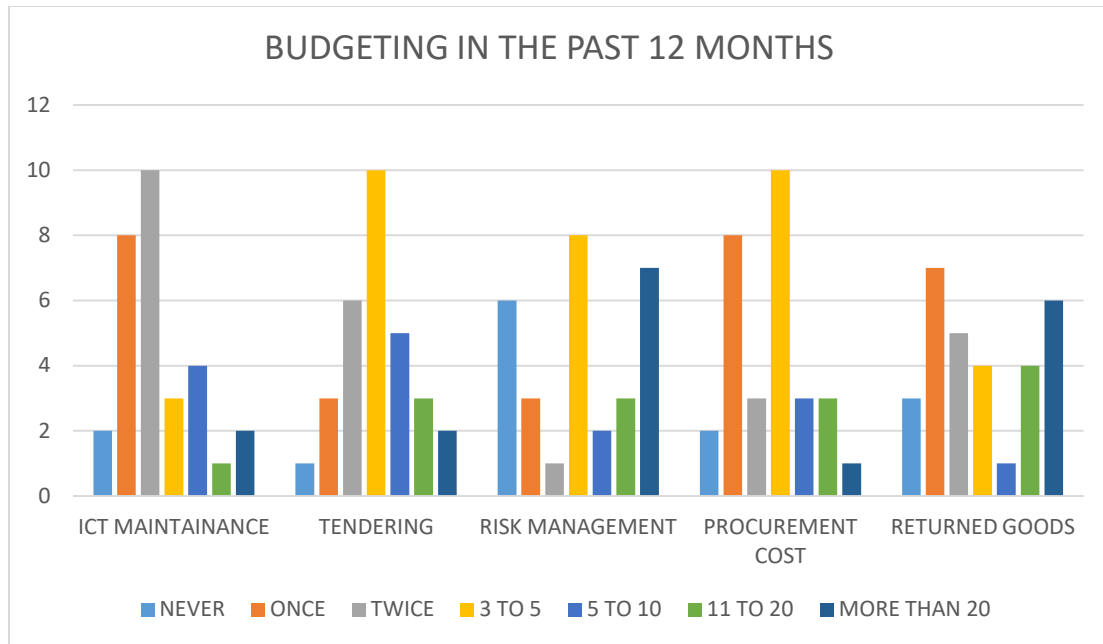
Figure 1: The Responses on the Impact of Sufficient Budget in Procurement Performance



Observed from the study findings as tabulated in figure 2 on the role of timing in budget money provision in procurement; in the past three years, at least 3 to 5 times caused delay in procurement, affected the quality of purchased goods, made difficult to obtain the intended good, caused changes to the originally intended good, caused re-tendering of the service, caused increase in purchase costs, caused changes of suppliers, caused increased the cost of goods, limited the flexibility in the choice of goods, limited the flexibility in negotiation, caused delivery unreliability, personal frustrations, supplier frustrations, affected your confidence in negotiation, delayed communication with supplier, resulted completely loss of trust from supplier and resulted to unexpected purchase expenses respectively. These findings imply that; there is a fairly budget on time to finance the need for various TPA departments.

## The Role of Timing in Budgeted Money Provision in Procurements Performance

Figure 2: The Responses on the Impact of Timing in Budgeted Money Provision in Procurements Performance

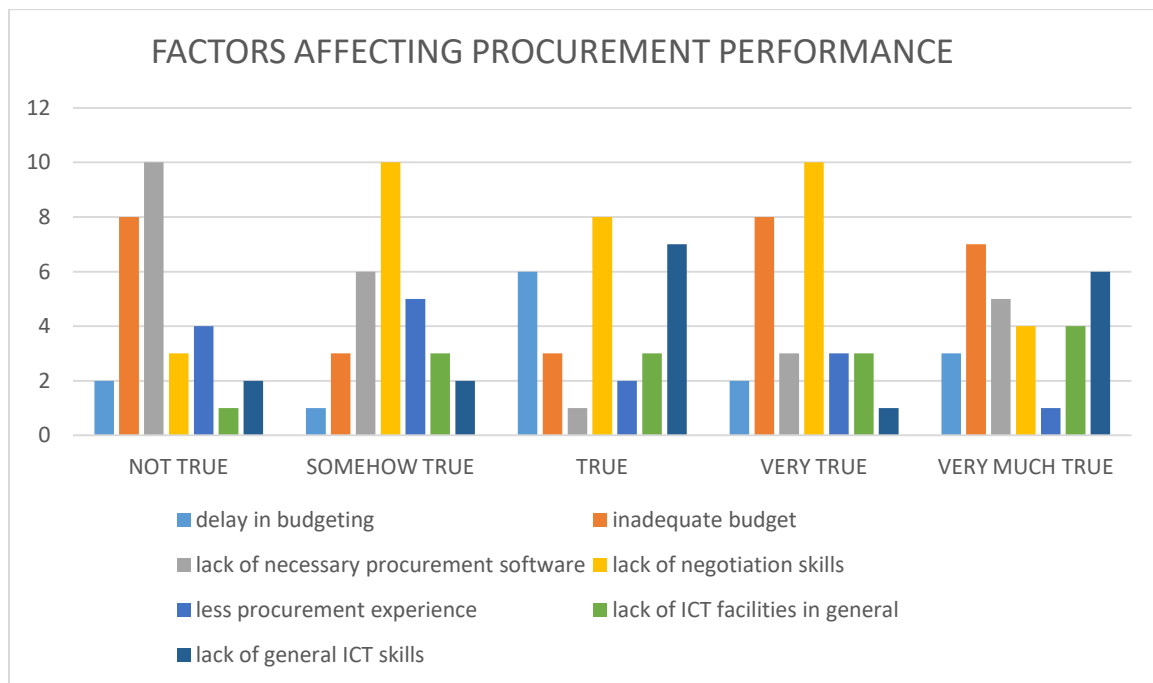


Findings from figure 3 indicate that Procurement performance at TPA is affected by lack of general ICT skills at a 50 percent as the respondents said true to lacking general ICT skills; it is observed that it is true that lack of ICT skills specific to procurement affect procurement performance at TPA as about 26.7 percent and 40 percent of respondents said somehow true and true respectively. Observed from figure 3, low qualification in procurement duties is another factor affecting procurement performance as 40 percent of the total respondents said its true that low qualification in procurement duties is the factor affecting procurement performance; 13.3 percent strongly agreed; while 30 percent strongly disagreed and 16.7 percent said it is somehow true that low qualification in procurement duties affect procurement performance. These findings are compared to the study done by Kessy (2016) on Assessment of the challenges facing procurement at Medical stores Department (MSD) which found lack of knowledge qualifying to procurement duties. Similarly, the studies by Foster, 2008; and Mrisho, 2005; on the challenges facing procurement performance in different organizations indicated lack of enough competent personnel to undertake procurement duties. 63.3 percent of all respondents said that it is very true that inadequate budget affect procurement performance, as supported by 36.7 percent of respondents who said that it is very true that delay in budgeting is

another factor, these findings are related to the findings of the study done by Foster in 2008 who indicated that inadequate funding was associated to poor integrations among organizational departments and unethical tendencies as main the factor affecting procurement performance. This implies that; factors such as lack of public relation and networking skills, lack of negotiation skills, less procurement experience, lack of necessary procurement software, lack of skills related to supplier searching, lack of database for necessary suppliers and lack of ICT facilities in general were fairly distributed at a true level meaning that respondents fairly agreed that they are amongst the factors that affect procurement performance at TPA.

### The general factors affecting Procurement Performance

Figure 3: The Responses on the Factors Affecting Procurement Performance



### DISCUSSION

The researcher has discovered that; budgeting affects much the performance of procurement functions at TPA. The findings of this study clearly show that delays in budgeting and inadequate budget has set back the performance of procurement functions at TPA. Furthermore, the researcher discovered that; there is insufficiency of the budget that clearly affect the performance of TPA and hindering procurement performance during purchasing of goods or services in the organization as per certain period of time in the company. Also, findings showed that budgeting has an impact in promoting effective procurement performance.



According to Armstrong (2001); Building a good budget forms an integral part of any company's planning and operations. However, many companies fail to make efficient use of resources and knowledge they have at hand. Procurement is one such department that is deeply involved in spending but often not involved in the budgeting process. It can benefit both the planning and execution of a company's budget and find optimal ways to carry out the company's plans. With spending being one of the primary actions involved in procurement, there is quite a bit of importance placed on financial management. Improper handling of finances by a procurement team or officer can lead to a ton of problems, not just for themselves but for their suppliers and the businesses they procure for. However, it's just not about how you spend money. Most of the time, it's important to pay attention to every facet associated with procurement finances in order to maintain the quality of the supply chain. Finance has an incredibly important role in procurement and it is important understand the value it offers. Too many people simply see money and funding as a means of getting the job done. The value is placed on the bottom line and everything else is ignored, so to speak. While that is a factor which should be addressed, it is one of many involved. There is a misconception that cost equals profit in procurement; if you get something for a lower price than its worth, then you're saving money and increasing the value that you can sell it back for. The price tag on an item is not an accurate representation of its value and it should not be treated as such. There can be additional costs in the long-term that decreases the profit you gain from it. You're more likely to save money with a more expensive version of a product so long as the quality is there (Michael, 2017). Like other areas of procurement and business, finance has its own unique language that can easily get lost in translation. Communication is a constant in finance, and all parties need to be able to understand the conversation if they want to know what's going on. Certain terms and phrases, like Key Performance Indicators are used as a means of measuring and managing financial actions. As with anything, there are some issues that can arise in procurement financial management. In some instances it could be a result of a lack of knowledge regarding finances, but you could still encounter problems even if you are a financial wizard. Many of the problems in financial management are a direct result of circumstances with limited options for how to handle them (Achua, 2011).

## CONCLUSIONS

In summary, the findings of this study nearly resemble the study done by Michael in 2017 which examined the factors influencing procurement management at TPC which similarly showed budgeting challenges. Contrary to this study the findings show that there are some budget timing challenges as compared to an overall budget provision. In the light of this study,

budgeting is the most important aspect in monitoring the performance of procurement functions in public sectors.

## RECOMMENDATIONS

The researcher recommends the TPA to improve and prioritize the Budget in terms of timing and making it adequate and to ensure that the budget comply with the needs of the organization in terms of training to staffs, ICT infrastructure upgrade and overall procurement processes. Furthermore, the study recommends that the organization should provide the required standard of trainings which fits the need in the market. Keeping them updated on e-budgeting will help the organization to achieve its greatest goals in performance of procurement functions especially on how prepare a workable budget for the organization. This study aimed at assessing the factors affecting performance of procurement function in TPA. Therefore, the findings of this study is only limited to Tanzania Ports Authority(Head Quarters) and cannot be used to for generalizing to other branches or public sector in Tanzania. The researcher proposes future studies to focus on the factors that hinder successful Budgeting in effective performance of procurement functions.

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