

THE EFFECTS OF PROCUREMENT PROCESSES ON SERVICE DELIVERY: A CASE OF CHINHOYI PROVINCIAL HOSPITAL

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ABSTRACT

Service delivery is a construct that is generally hypothesized to be governed by procurement policy, procurement planning and sustainable procurement practices, in both the private and public sectors. To establish whether this is the case for Chinhoyi Provincial Hospital, data on all these four latent variables was collected using two questionnaires. Respondents for the service delivery questionnaire were patients while hospital employees completed the one on the independent constructs. To assess the relationship between service delivery and each of the other three constructs, structural equation modelling was run in SPSS-AMOS version 23. The results from AMOS showed that at Chinhoyi Provincial Hospital, all the three constructs have no significant effect on service delivery. The findings also show that it is only the relationship between procurement planning and sustainable procurement practices that is significant. These findings imply that Chinhoyi Provincial Hospital must realign its procurement policy, procurement planning and sustainable procurement practices so as to improve the delivery of services.

Keywords: SPSS-AMOS, construct, procurement, latent variable, Structural equation modelling.

1. INTRODUCTION

Procurement processes entail procurement policy, procurement planning and sustainable procurement practices. The proper and success of these processes, in the public sector, is measured in their ability to deliver service, (kaondera et al., 2023). All these processes, together with service delivery are constructs or latent variables whose values depend on empirically measured indicators. In order to determine the effect of these latent variables on another latent variable, one of the best approaches of doing that is structural equation modeling, often abbreviated SEM. This paper uses this approach to establish the effect of procurement policy, procurement planning and sustainable procurement practices on service delivery at Chinhoyi Provincial Hospital. The remaining part of the paper is composed of literature review, methodology, data analysis and conclusion.

2. LITERATURE

2.1 Procurement

Agbeko et al. (2021) defines procurement as the process of locating and agreeing on conditions for acquiring products, services or works through tendering or competitive bidding. (Javidi et al. 2020) add that the drafting and processing of a demand as well as the final receipt and approval of payment are all part of the procurement function. Purchase planning, standards, specifications determination, supplier research, selection, financing, price-negotiation and inventory control are all examples of the procurement process, (Huragu and Chuma, 2019).

2.1.1 Procurement policy and service delivery

Procurement policies are rules and regulations for governing procurement procedures in an organization. A properly designed and implemented procurement policy plays a pivotal role in providing a guiding framework for the implementation of effective procurement practices, (Bartik 2009). Effective and efficient procurement procedures and practices by public bodies can have a significant impact on the accountability and value for money. Recent research reveals that integrity and transparency in the procurement process are significant. This has led to the formulation of regulation practices to ensure that the procurement activities are transparent. A country's political environment or risk level, technical specifications of the contracts and legal and contractual environment are all factors that affect procurement policy.

Raymond (2008) notes that effective companies employ people who are knowledgeable of the contract law and the legal environment to ensure that the procurement practices are in line with the legal environment of the country in which they are operating. On the other end, Ronnback (2012), argues that companies should have specialists who design contracts and their technical specifications to ensure that the goods delivered to the company are the ones required. On political environments, Love et al. (2008), note that different countries have different elements of political risks. The political risks may include factors such as the likelihood of violence and political chaos that may affect the company's contract and ability to operate. Some countries may have an environment that is not friendly to private companies, and hence, this may force the private companies to follow stringent regulations and tendering processing in order to operate in a particular country.

Nichols (2002) argues that procurement policy is one of the primary functions of procurement with a potential of contributing to the success of government operations and improved service delivery. Various aspects of procurement policy have distinctive influence on the procurement management (Tkachenko, Yakovlev and Kuznetsova 2017). For instance, procurement policy that promotes transparency and integrity in the procurement process positively influences the procurement process. Rehmatulla, Smith and Tibbles (2017) note that organizations that have good procurement policies have good service delivery. The transparency ensures that the goods procured are of high quality and are as per specifications, which enables the employees to provide quality services.

However, in instances where the procurement is shrouded with secrecy, the goods delivered are of poor quality and are not delivered on time, which affects the service delivery negatively. Therefore, policies that promote transparency end up enhancing service delivery, while policies that do not entrench transparency lead to poor service delivery and underperformance. Gleeson and Walden (2016) note that apart from the poor service through non-delivery and late delivery, lack of transparency makes organizations to procure goods and services at punitively high costs, which end up being transferred to consumers through an increased cost of service. Most significantly,

lack of transparency promotes corruption within the organizations, which negatively affects the service delivery.

2.1.2 Procurement planning and service delivery

Another factor that has impact on procurement is procurement planning. According to Mapulanga (2015), successful procurement is based on effective planning. One of the best procurement planning strategies is the use of budgets. According to Fisher and Corbalán (2013), each department should indicate what is needed as well as the estimated cost of the item which should be procured. Procurement budgets should correspond to the revenues which the company has set aside for the procurement activities. Brochner et al. (2016) agree that budgeting is a very important aspect of procurement. This is because it ensures that all the details of the items to be procured are identified in advance, before the procurement process begins. Successful budgeting process does not involve only the procurement department, but other departments that require having items and equipment. Rolfstam, Phillips and Bakker (2011) note that proper specification of the equipment and items required by each department is necessary in procurement planning. The departments have to provide budgets which indicate the equipment and the quality standards for suppliers to ensure that proper equipment is acquired by the company.

Tumuhairwe and Ahimbisibwe (2016) note that many organizations do not have procurement employees, who have enough knowledge about the procurement activities. Amann et al. (2014) agree that the procurement department in many organizations is one of the departments which are hiring employees who are not knowledgeable of procurement, which is leading to losses and poor service delivery. The employees working in procurement should have a certain amount of experience in procurement and should be knowledgeable of procurement laws and regulations as well as policies. Procurement employees should have a knowledge of budgeting allocation and budgeting methods such as cost estimation methods.

Procurement planning has its own influence on service delivery. Procurement planning positively affects service delivery if it is done appropriately (Mansi and Pandey 2016). Having an effective planning ensures that procurement is in line with the organizational needs and instigates capability to meet customer expectations, which is one aspect of service delivery (Ruparathna and Hewage 2015). In addition, Meehan, Ludbrook and Mason (2016) state that good planning prevents the organization from losing money, when their planning is poor, as it would ensure that only the important items are procured in correct quantities and at the right time.

Fisher and Corbalán (2013) posit that organizations that have procurement budgets have better service delivery than those that do not have. According to Aliza, Kajewski and Bambang (2011), involving all the departments during the budgeting process ensures high service delivery. This is because proper specification of the equipment of items, which are required by each department, is necessary in procurement planning and enhances the service delivery. It ensures that better items, equipment and supplies that would meet customer needs are procured. Chances of not offering services and products to customers because of their unavailability are eliminated, (Guillaume, Thierry and Grabot 2011).

Procurement planning that includes planning for human resources also has good service delivery. Having employees who are knowledgeable of the procurement processes leads to customers' satisfaction. Having employees with procurement background ensures that proper planning is done (Brewer and Arnette 2017). Employees who are engaged and are available to offer service and attention to the clients enhance the perception of service delivery, compared to employees who are

absent and disengaged (Manso and Nikas 2015). Similarly, having employees who are disengaged leads to poor service delivery since they can't put in place proper plans and appropriate contract terms that would ensure that suppliers are fully obligated to deliver high-quality supplies, which will lead to better service delivery (Meehan, Ludbrook and Mason 2016).

Procurement expertise is required at every stage of the procurement process from pre-contract to post contract award (Ganfure & Kedir, 2020). Prior to any purchase made, a thorough needs assessment is done to successfully meet the need. When demands and suppliers are not properly identified, incorrect goods and services may be supplied, which wastes time, effort and cost which impact on the standard of service delivery.

2.1.3 Sustainable procurement practice and service delivery

The other critical aspect of procurement management process, being discussed in this paper is sustainable procurement. Hui, Othman, Omar, Rahman and Haron (2011) note that sustainable practices are also applicable in procurement activities. Sustainable Procurement is a "process of acquiring goods, works and services from a supplier that provides the optimum combination of whole life costs and benefits to meet the customer's requirements. It is a process whereby organizations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organization, but also to society and the economy, while minimizing damage to the environment (Chartered Institute of Procurement and Supply (CIPS) Knowledge Summary, 2008 and Aurora Energy, 2008)". Sustainable procurement is about the process of purchasing goods and services that takes into account the social, economic and environmental impact that such purchasing has on people and communities. According to Steinfeld, Prier and McCue (2015), sustainable procurement practice ensures that the procurement adheres to the principles and dimensions of sustainability, which are: economical sustainability, social sustainability and environmental sustainability. In an economically sustainable procurement environment, the procurement ensures that the company obtains value for money. All the requirements ought to have the specified value, they should be durable and should last for the time that they have been specified. In addition to that, the sustainable procurement should ensure that the company does not lose money in any way. It should ensure that the negotiation process is fair and the best supplier is given the contract, in which consumers would become environmentally conscious.

The environmental sustainability, on the other hand, refers to the focusing on procurement of environmental-friendly goods. Along with the tendency and the fact that consumers have become conscious of the conservation of the environment, there is an increasing need for companies to become environmentally friendly. This can only be possible, if the company produces or handles goods or services and is having suppliers who are environmentally friendly. The company can ensure that its supply chain is environmentally friendly by purchasing goods which are certified as having low carbon emissions or from companies that are paying for carbon emissions. This ensures that the procurement process is not only efficient but also environmentally conscious and friendly.

The procurement processes should also be socially sustainable, which means that the companies should take into account the social factor while buying goods or services. For instance, the companies can give preference to goods and services, which are locally manufactured as a way of having social sustainability (Nijaki and Worrel 2012). This can be done to promote and support the local communities as well as local cultures. Socially sustainable procurement processes can

also include procuring goods and services from the companies or organizations that support vulnerable groups, such as women and youth. The other aspect of sustainable social procurement is ensuring that the goods that are procured do not advance negative behaviors such as terrorism or injustices such as slavery and child labor.

2.1.4 Service delivery

Service delivery is a concept that refers to the provision of goods and services to customers in a way that lives up to their expectations. It is a process of periodically supplying public needs. As highlighted by Helmsing (2015), service delivery is the distribution of goods and services to intended beneficiaries through a responsible and judicious organization or its designated agents.

Service delivery is indicated by accessibility, reliability, completeness, timeliness, conformance and safety among others.

3. METHODS

The population of the study comprised of patients and hospital employees at Chinhoyi Provincial Hospital. For patients the researcher relied on admitted patients only. The bed carrying capacity, according to District Health Information System Tool, for Chinhoyi Provincial Hospital is 422 patients. The employee-population was composed of 7 executives, 17 doctors and 285 nurses.

Stratified sampling technique was used to come up with 125 employees and 160 patients. Two questionnaires, one for employees and another for patients, were administered. Service delivery was the construct of interest (the dependent variable). Procurement policy, procurement planning and sustainable procurement practice were the independent latent variables whose effect on service delivery was being tested. As constructs, it was not possible to measure any of the four directly so each was measured through some questions (indicators) on the questionnaires. Service delivery had 8 questions, procurement policy had 6, sustainable procurement practice had 5 and procurement planning had 4. All the items of both questionnaires were measured on a five-point likert scale. The collected data was analyzed using SPSS-AMOS version 23. Structural equation modelling was the main technique of analysis in this study.

The output from SPSS-AMOS was used to test the hypotheses:

- H1: Procurement policy has positive effect on the service delivery.
- H2: Procurement planning has positive effect on the service delivery.
- H3: Sustainable procurement practices have positive effect service delivery.

4. RESULTS

Table 1 shows the regression weights of the relationship between each of the three independent constructs and service delivery.

Table 1.

	Estimate	S.E.	C.R.	P	Label
POLICY <--> PRACTICE	.004	.008	.560	.575	par_20
PLANNING <--> POLICY	.005	.009	.559	.576	par_21
PLANNING <--> PRACTICE	.038	.016	2.335	.020	par_22

Regression Weights

The p-values corresponding to the three independent constructs are all greater than 0.05 implying that they are all not significant. In simple terms this means that procurement policy, procurement planning and sustainable procurement practices have no significant effect on service delivery, at Chinhoyi Provincial Hospital. The above three hypotheses are, therefore, all rejected.

Table 2 shows the covariances of the pairs of the independent construct. These are all positive suggesting that they increase or decrease in the same direction. However, from the p-values, it is only the relationship between planning and practice that is significant. This means policy is significantly divorced from both planning and practice, explaining why all these three constructs have no significant effect on service delivery at the hospital.

Table 2

	Estimate	S.E.	C.R.	P	Label
SERVICE <--- POLICY	.435	1.894	.230	.818	par_23
SERVICE <--- PRACTICE	-.617	.432	-1.428	.153	par_24
SERVICE <--- PLANNING	-.057	.163	-.348	.728	par_25

Independent construct covariances

5. IMPLICATIONS

There is no way quality service can be delivered in a situation where procurement policy there is aligned to neither procurement planning nor sustainable procurement practices. This non-alignment of these areas of procurement shows that there is something wrong with the system. This disorder clearly shows that service delivery at Chinhoyi Provincial Hospital is very poor since it is not related to any of the factors that are expected, from theory, to explain it. Another implication from these findings is that management is not using proper means to monitor the operations of these three components of procurement.

6. CONCLUSION

This study aimed at establishing the effects of procurement policy, procurement planning and sustainable procurement practices on service delivery at Chinhoyi Provincial Hospital. It also aimed at finding the relationship among the independent constructs themselves at the same institution.

It was hypothesized that the constructs procurement policy, procurement planning and sustainable procurement practices have a significant effect on service delivery. The results from AMOS showed that all the three have no significant effect on service delivery at Chinhoyi Provincial Hospital, leading to the rejection to the hypotheses. The findings also showed that it was only the relationship between procurement planning and sustainable procurement practices that was significant.

7. RECOMMENDATIONS.

It is recommended that: (i) management at this institution sees to it that quality service is delivered, (ii) the three areas of procurement, which are procurement policy, procurement planning and sustainable procurement practices are aligned, (iii) the procurement policy should be determined and driven by the needs of the patients.

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