DOCTOR OF BUSINESS ADMINISTRATION

DISSERTATION

INVESTIGATION OF HOW PROCUREMENT PRACTICES INFLUENCE BUSINESS SURVIVAL: ANALYSIS OF BUYER - SUPPLIER RELATIONSHIPS IN ZIMBABWE'S BANKING INDUSTRY.

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Abstract

The study of procurement practices influence on business performance sparked interest among many researchers during the last two decades. However, very little literature deals directly with how firms’ procurement practices influence business performance. Also, most of the reviewed articles on procurement practices are conceptual rather than empirical in nature. As a result, many firms continue to struggle attempting to devise bespoke procurement practices link to overall business performance. It is against this back drop that this research seeks to fill this void by conducting empirical case studies at twenty-eight firms operating in the world worst ever turbulent environment. The results of this research study attempt to determine the interconnection between firms’ procurement practices and business performance. This study therefore provides critical insights into key drivers of procurement practices in buyer - supplier firms and the effect they have on business performance. As such, the research was titled, ‘Investigation of how procurement practices influence business survival: An analysis of buyer – supplier relationships in Zimbabwe’s banking industry. To explore the research problem exhaustively, three research questions were examined in this study. The first research question sought to explore firms’ prevalent perceptions of importance and performance of procurement practices effect on business performance. The second research question sought to ascertain differences and similarities in firms’ perceived importance and performance of procurement practices effect on business performance. The second research question sought to identify prevalent gaps within and between firms’ perceptions of importance and performance of procurement practices effect on business performance. Finally, the third research question sought to identify prevalent gaps within and between firms’ perceptions of importance and performance of procurement practices effect on business performance.

A combination of case study and survey approaches were used to establish and explore firms’ perceptions of importance and performance of procurement practices effect on business performance. The targeted respondents for this study comprised of firms senior, functional and first line managers with direct or in-direct involvement or responsibilities with buyer and supplier firms’ procurement activities. A total of 112 managers, participated in either face-to-face interviews or surveys, and 44 of the managers took part in the face-to-face interviews lasting between 30 and 35 minutes per respondent with at least two managers from each case study organization being interviewed at different times. The same respondents were later asked to participate in completing a self administered survey questionnaire. A further 68 managers were asked to participate in self administered survey questionnaire send to them online bringing the total number of participants involved in the survey to 112. The main research results show that firms’ procurement practices effect on business performance were interconnected by 28 exhibits of the seven trust attributes which exist within and between firms. Further, the research findings show both similarities and differences in firms’ perceptions of importance and performance of procurement practices effect on business performance. However, four major gaps were identified as having significant influence on buyer and supplier firms’ perceptions of importance and performance of trust attributes in procurement practices effect on business performance.

Also, MLOGIT statistical analysis was carried out to test the main hypothesis of this research study showed that firms’ perceptions of importance and performance of procurement practices effect on business performance was significant (p = 0.03). Further, the test showed that when we adjust for the seven constructs of trust in procurement practices, buyer firms perceptions of importance and performance of procurement practices effect on businesses performance appear to have about 20% (RR = 1.20) higher than that of suppliers firms. However, the difference in firms’ perceptions of importance and performance of procurement practices in business performance (survival) between suppliers and buyer firms was not significant (P = 0.43).
Also, this research study contributes to the existing research knowledge in the broader area of supply chain management. In reaching a conclusion from reviewed literature and overall research findings, it is suggested that firms’ procurement practices identified in this research study are broadly classified, as either “high or low trust procurement practices”. This model is developed based on further insights gained from reviewed literature and the research findings of this study. The ‘high trust procurement practices’ exhibited a single maturity of the seven attributes of trust in procurement practices while the ‘low trust’ procurement practices exhibited an immaturity. It is therefore concluded based on the findings of this research study that success or failure of firms’ procurement practices in influencing business survival is largely dependent on four broad issues: (1) the drivers of procurement practices in firms; 2) interactions within and between key stakeholders involved in firms procurement practices; 3) the firms’ perceptions of importance and performance of procurement practices effect on business performance and; 4) level of prevalent gaps in point 2 and 3. However, the limitations of this research are also discussed and suggestions made to replicate the findings of this study research in different sectors and economies to establish whether specific conclusions arrived at in this research study are supported under different settings and contexts.

**Key words:**  Procurement; practices; trust; performance; important; business; survival; stakeholders; buyer; supplier; case study
Certification of Dissertation

I certify that the ideas, experimental work, results, analyses, software and conclusions reported in this dissertation are entirely my own effort, except where otherwise acknowledged. I also certify that the work is original and has not been previously submitted for any other award, except where otherwise acknowledged.

Masimba Phillip Dahwa
August 11, 2010

ENDORSEMENT

Dr Latif Al-Hakim
Supervisor

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Date
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Dedication

Words of wisdom to my lovely daughters Tendie, Kundie and Matie – “Success is God granted but not guaranteed, you must do your bit to achieve it”
Abbreviations

ATM  Automated teller machine
BEP  Black Empowerment Program
COO  Chief Operating Officer
CPO  Chief Procurement Officer
CR   Corporate Responsibility
FTSE Financial Times Stock Exchange
HR   Human Resources
ICT  Information Communication Technology
KYS  Know Your Supplier
LSE  London Stock Exchange
MNC  Multi National Company
MLoGIt Multinomial Logistic Regression
NSSA National Social Security Authority
POS  Point of Sale
P2P  Purchase to Pay
QBR  Quality Business Review
RDT  Resource Dependency Theory
R&D  Research and Development
RSA  Republic of South Africa
SA   South Africa
SEE  Social, Ethical and Environmental risk
SME  Small to Medium Enterprise
SPB  State Procurement Board
UK   United Kingdom
UPS  Uninterrupted Power Supply
USA  United States of America
TCO  Total Cost of Ownership
TQM  Total Quality Management
ZSE  Zimbabwe Stock Exchange
ITT  Invitation To Tender
RFQ  Request for a Quotation
RFP  Request for a Proposal
SPQQ Supplier Pre-Qualifying Questionnaire
PPMS Procurement Performance Management System
CIPS Chartered Institute of Purchasing and Supply
SM   Senior Management
FM   Functional Managers
PTL  Procurement Team Leader
OPTL Operational
ANOVA Analysis of Variance
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