AN INVESTIGATION OF THE EFFECT OF STRATEGIC PURCHASING ON THE FINANCIAL PERFORMANCE OF ORGANISATIONS IN THE PUBLIC SECTOR IN ZIMBABWE

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The undersigned certify that they have read and recommended to Bindura University for acceptance, a project titled “an investigation of the effect of strategic purchasing on the financial performance of organisations in the public sector in Zimbabwe “submitted by Forward Mudzimu in partial fulfilment of the requirements for the Master of Science Degree in Purchasing and Supply Chain Management.

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Supervisor…………………………………………………………Date………………

Chairperson…………………………………………………………Date……

Year of study………………..2019
DEDICATION

This study is dedicated to my wife, my son, my daughter, my mummy and my late father
ABSTRACT

Strategic Purchasing if underpinned by rigorous processes of informed purchase budgets planning, due diligence processes, purchasing services quality and recognition, will result in the good financial performance of public sector entities. This good performance will result in improved service delivery, which is critical for the operation of governments and quasi-government institutions. The main aim of this study was to investigate the effect of strategic purchasing in the public sector on the financial performance of public sector entities in Zimbabwe. A cross-sectional survey approach was adopted and a mixed method of data collection was employed to collect data from 23 Respondents which was 46% of the expected respondents. The study noted that professionalism is very important as it facilitates increased purchase service quality and also makes the purchasing organisations to be well organised producing market-oriented prices and purchasing budgets. The Cronbach values were very high on both professionalisms of purchasing officers and purchase service quality. SPSS software version 22 was used to process the data that was later analysed through descriptive statistics, correlation and regression analyses. The government of Zimbabwe through the PRAZ should accelerate the professionalisation of public purchasing officers. Recommendations to carry out further research on the monetary effects of the strategic purchase were advocated for.
ACKNOWLEDGEMENT

I thank the Almighty God for the special gift of life that He grants me unconditionally. I would also like to express my sincere gratitude to the Procurement Management Units of various government ministries for accepting to be part of this study. My heartfelt gratitude goes towards the PMU Managers who willingly freed their time to give me an opportunity to get responses from them. Thank you for making this research successful.

Most importantly, I would like to thank Dr D Damiyano, my research supervisor, for his indispensable encouragements and guidance. He advised me to consider broader issues in my area of research and constantly challenged me to express my views. I sincerely thank him for his valuable guidance and wisdom, for it was a great privilege for me to be supervised by him.

Also, in writing this report a lot of other people’s work was used. My sincere appreciation to all the authors of various books, journal, and articles, and electronic publications read and used and acknowledged in this dissertation.

My gratitude goes to my family as well who motivated me to continue with the studies and stood by me under difficult circumstances of work and education. My most sincere gratitude goes to my fellow colleagues for the Purchasing and Supply Chain Management class, whom I have journeyed with for the past 18 months. They made the study journey an exciting one, I will forever cherish the memories we had together.

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CHAPTER 1: INTRODUCTION

1.0. Introduction

Purchasing is being used in public entities to commit the resources required to improve service delivery. The purchasing function has been done by the clerical staff as support services to other critical services. However, private organisations always work towards incorporating strategic purchasing as a competitive advantage as business competes with limited resources and works under the global financial recession. The Purchasing process is defined by Monczka, Handfield, Giunipero & Patterson (2009, p.38) as “The process used to identify user requirements, evaluate the need effectively and efficiently, identify suppliers, ensure payments occurs promptly, ascertain that the need was effectively met and drive continuous improvement”

While Strategic purchasing is defined by several researchers (Zheng et al., 2007; Castaldi, ten Kate and den Braber, 2011) as the process of planning, implementing, evaluating and controlling strategic and operative purchasing decisions for directing all activities of the purchasing function towards opportunities consistent with the firm’s capabilities to achieve its long term goals. This, therefore, makes purchasing as strategic and such regards should be critically being looked at in the Public sector in Zimbabwe.

This introduction includes a description of the background of the research project and the problem statement. Also, the objective and the research questions of the research are mentioned and described. The chapter ends with a conclusion and an outline of this dissertation.
1.1 Background to the study

Purchasing has been an important critical activity for families, individuals, organisations, and nations. Purchasing is also a branch of Purchasing and Supply Management (PSM). PSM is the discipline that is concerned with the management of external resources that is goods, services, capabilities, and knowledge that are necessary for running, maintaining and managing the primary and support processes of a firm at the most favourable condition (Van Weele, 2010). All resources that are obtained by individuals, families, organisations, and nations are utilised through a purchase transaction. Purchasing is a critical component in the process by which governments build infrastructures, such as schools and hospitals and equip them in order to provide service delivery that is required both in the socio-economic and political transformation. The Purchasing function in the public sector involves the management of significant amounts of taxpayer money and is therefore often the cause for allegations of corruption and government inefficiency. The difference between getting public procurement right and doing it wrong has the potential to be either highly rewarding or highly damaging.

It has been noted by the Asian Development Bank in 2013 that reforms purchasing reforms that are implemented in the public sector to improve the efficiency of public procurement have resulted in savings of about 1% of the country’s gross domestic Product (GDP). The European Union who has extensively documented public procurement had calculated that the average share of public procurement in the GDP of its twenty-eighty states was 16 percent. In the same vein in 2015, the Organisation of Economic Cooperation Development (OECD, 2007) also gathers information on the share of public procurement in its 35 member states and noted that procurement budgets or activities average twelve (12) percent of the GDP. Furthermore, the World Trade Organisation estimates that the share of public procurement as a proportion of GDP globally is between ten (10) to Fifteen (15) percent (ones (Simeon Djankov (PIIE), Asif Islam (World Bank) and Federica Saliola (World Bank) World Bank, 2016, Doing Business 2017: Equal Opportunity for All) November 7, 2016 4:30 PM). The Figure below extracted from the World Bank Illustrate the extent to which procurement
contribute significantly to the GDP of the low income, upper middle income, lower middle income, and high-income economies.

Figure 1: Procurement as Percent of GDP by Country Income Level

Source: Data collected by the authors from country statistics.

The above data indicates clearly that public procurement in the low-income countries has a significant contribution to countries GDP. The amount of money spent on purchasing is a large part of every country GDP.

In the Netherlands in 2016, it was found that 73.1% of the GDP was generated through the provision of services (Trading Economics, 2016). Several Authors also concluded that in case of cost savings within organisations, 10-29% could be saved on services.

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1 Note: World Bank Income classification comprises 31 low-income countries, 51 lower-middle income countries, 53 upper-middle income countries, and 48 high-income countries. For 2016, low-income economies are defined as those with a GNI per capita of $1,045 or less, middle-income economies are those with a GNI per capita of more than $1,045 but less than $12,736, and high-income economies are those with a GNI per capita of $12,736 or more. Lower-middle-income and upper-middle-income economies are separated at a GNI per capita of $4,125.
versus 5-17% on goods and products. Both the provision of Services and goods and products savings are obtained through the purchasing function.

In addition to the above, the Global Procurement Agreement (GPA) of the European Union estimated that public commitments are around 1.3-1.5 trillion Euros (European Commission, 2016; WTO, 2016).

Similar statistics as illustrated above from the World Bank data, OECD, the Netherlands, and European Union are also found in the Global Fund to fight HIV, TB, and Malaria (GFATM, 2017). The Fund has funded countries a total amounted to about US$2 billion and of this amount purchasing of health products accounts for between 40-60 percent of the money allocated to a country. These health products spend are utilised using the purchasing function. The Global fund purchases also include purchase for other products such as motor vehicles, health equipment, infrastructural development and putting together these indicate that more than the 60% indicated above is consumed through the purchasing function. Furthermore, these health products are purchased through a Pooled Procurement Mechanism (PPM) of the Global Fund which maximises purchasing power to negotiate favourable procurement pricing and delivery terms for the health products.

Coming closer to Zimbabwe, a study done by (Musanzikwa, 2013), estimates that Public Procurement constitutes 50-75% of government procurement in the developing countries. The report further articulates that public procurement expenditures constitute 65% of the total public sector expenditure in Zimbabwe. With a country like Zimbabwe, it means of the USD8.2 billion budget for 2019 approximately USD$5.3 billion of this budget is utilised using purchasing (Zimbabwe 2019 National Budget Estimates). These statistics in Zimbabwe underpinned by the fact that of the budgeted amount $2.1 billion is allocated to capital expenditures which are expended exclusively through a purchasing process shows that the purchasing function is critical in the provision of service delivery in Zimbabwe.
This, therefore, means that the buyer in the public sector should pay greater attention to the strategic nature of purchasing activities in order to enhance the financial performance of the public sector and improve service delivery.

This dissertation is about the effects of the strategic purchasing function on the financial performance of organisations in the Public sector in Zimbabwe, an investigative approach based on strategic purchasing approaches. In addressing this practical concern, this dissertation will also engage with theoretical discussions about the concepts of strategic purchasing and its effect on financial performance.

1.2. Problem Statement/Research Problem

Despite purchasing having been regarded as strategic and recognised as an essential tool for having a profound impact on the performance of supply chains (Paulraj, Chen and Flynn, 2006) in the private sector, there are no such studies that have been done to relate this strategic activity to the financial performance of the public sector. The Pivotal strategic role of purchasing in supply chain management has been overly documented in the private sector but the claims that purchasing is strategic has not been fully examined in the public sector. Furthermore, there has been not any evidence for the demonstration of the value of purchasing in the public sector in Zimbabwe as the tenants of strategic purchasing have not been completely embraced. Implementation of the new procurement reform has been faced with some resistance as this task was being done by the administration office and being supervised by the Finance Departments and as per the act, the responsibility is being removed from these departments. Having a full procurement department which conducts purchasing and reports to the accounting officer seems to be far-fetched to a task that used to be done by clerks where transactional processes seemed to be the order of their activities.
1.3 Objectives of the study

The objectives of the study are to: -

1.3.1 determine how the Expenditure of purchasing budgets of the public sector affects financial performance in Zimbabwe
1.3.2 explore how the purchasing prices in the Public sector affects public sector financial performance in Zimbabwe
1.3.3 determine how purchasing service quality results in good financial performance as noted by savings, doing more with less (improved service delivery in the public sector in Zimbabwe
1.3.4 explore how professionalism in purchasing affects financial performance in Zimbabwe

1.4. Research Questions

To answer the objective of this research project the following three questions will be investigated?

1.4.1. To what extent are purchasing budgets taken into consideration when utilization of public sector budgets in Zimbabwe?
1.4.2. What is the effect of due diligence or market surveys and intelligence on financial performance in the public sector in Zimbabwe?
1.4.3. What is the role of purchasing service quality in enhancing the financial performance of public sector entities in Zimbabwe?
1.4.4. What is the contribution of professionalism in Purchasing on the financial performance of public sector entities in Zimbabwe?

1.5. Hypothesis

Strategic Purchasing results in the good financial performance of public sector entities and this gives rises to the following hypotheses

1.5.1. Purchasing budgets have positive effects on financial performance
1.5.2. Purchasing prices have positive effects on financial performance
1.5.3. Purchasing service quality has a positive effect on financial performance
1.5.4. Professionalism in purchasing has a positive effect on financial performance

1.6. Justification – Purpose of the Study
This study aims to investigate the use of strategic purchasing and its effect on financial performance in the public sector in Zimbabwe. This relationship is important in the Public sector of Zimbabwe following the enactment and implementation of the procurement reforms through the Public Procurement and Disposal of Public Assets Act [Chapter 22:23]. The full implementation of this act by the accounting officers requires that they understand the need for a purchasing department and function in administration and managing of public funds. This has been noted as a result of the deficiencies in the old Act. Having noted the deficiencies in this old Act, the Government of Zimbabwe engaged in a procurement reform agenda in line with the new constitution as provided for in section 315 of the 2013 Constitution of Zimbabwe, Amendment number 20. The New Public Procurement Act of Zimbabwe, the Public Procurement and Disposal of Public Assets Act [Chapter 22:23] to a great extent recognize the strategic nature of the procurement function by including the provisions for the establishment of the Procurement Management Units (PMUs) as per section 17 of the act. With the use of Enterprise Resource Planning Systems (ERP) in government ministries such as the Public Finance Management System (PFMS) (which is a SAP system), there is strategic direction that all transactions are consumed using the Material Management Module (MMM), which means a purchase should have been done to commit resources.

1.7. Assumptions
The study is based on the following assumptions

1.7.1. that all other variables that affect purchasing budgets such as inflation, recessions are constant and do not change
1.7.2. that the purchase prices obtained by the purchasing organisation are always within small margins with the market values (Local and international values depending on products or services

1.7.3. that service quality is one of the tenants of the purchasing organisation outcome

1.7.4. that the sample size is a representative of the situation in the public sector in Zimbabwe

1.7.5. that the respondents have a working knowledge of the topics in the structured questionnaire and will provide true and accurate information to the researcher.

1.7.6. that professionalism in terms of human capital is already in full force in public entities in Zimbabwe

1.8. Limitation of the study

- The study also depended on key respondents to measure financial performance. Although this practice is common in management research, better objectives measures would have been used to make the results more valid. Furthermore, though the survey tool requires a minimum of three management officers, the main player who responded are purchasing executives and this might have introduced bias into the data. This agrees well with what Rozemeijer, 2008 noted that reliance on single top management key informants may introduce biases. Using multiples respondents from different qualifications but with the know-how of the subject would have produced better quality results.

- Finally, the cross-sectional design of the design has an effect on the one-time implementation of strategic purchasing constructs and the outcome in financial management.

- Despite all these issues, the study makes a convincing case on the effects of strategic purchasing on financial performance in the public sector. Further research in the intermediary benefits of the Purchasing constructs on purchasing outcomes would have to be done in order to determine first if the
purchasing outcomes will ultimately affect the financial performance of the public sector entities. In addition, the financial performance of return on investments, thought related specifically to private sector practices should also have been considered and the clear definition of provision of service delivery should be well detailed and measured.

1.9. Delimitation of the study

While the researcher wanted to examine the variables throughout the whole nation of Zimbabwe, the time available for the study could not make it possible.

The researcher also wanted to do a qualitative analysis of how the parameters could be used to enhance financial performance but could not do it as well through interviewing all respondents if they have not responded to that section. This was could have been possible again if time was bought for it. This information would have made the validity and reliability of this study better.

1.10. Definition of terms

The Commonly used terms are defined below and the reference source of the definitions are shared as in the table below.

Table 1: Definitions of Terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
<th>Based on</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Purchasing</td>
<td>Is the application of the whole selection of activities that assist to develop and keep a long term competitive advantage for companies ranging from what, when and how much to buy, purchasing it and the process of making sure that what is purchased is received on time in the right quality and quantity.</td>
<td>(Kralic, 1983; Van Weele, 2010 and; Burt &amp; Pinkerton, 1996).</td>
</tr>
<tr>
<td>Purchasing Function</td>
<td>Covers activities aimed at determining the purchasing specifications based upon ‘fitness for use’, selecting the best possible supplier and developing procedures and routines to be able to do so, preparing and</td>
<td>Van Weele, 2010</td>
</tr>
<tr>
<td><strong>Conducting negotiations with supplier in order to establish an agreement and to write up the legal contract, placing the order with selected supplier or to develop efficient purchase order and handling routines, monitoring and control of the order in order to secure supply, follow up and evaluation</strong></td>
<td></td>
<td></td>
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<tr>
<td>---</td>
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<tr>
<td><strong>Procurement:</strong> Includes all activities required in order to get the product from a supplier to its final destination. It encompasses the purchasing function, stores, traffic and transportation, incoming inspection, and quality control and assurance, allowing companies to make supplier selection decisions based on the total cost of ownership (TCO), rather than price.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Purchasing and Supply Chain Management (PSM)</strong> is the discipline that is concerned with the management of external resources that is goods, services, capabilities, and knowledge that are necessary for running, maintaining and managing the primary and support processes of a firm at the most favourable condition.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financial performance:</strong> This is a measure of how a firm uses an asset from its primary mode of operation to generate revenues. It is also used as a general measure of a firm's overall financial health or soundness over a given period of time which can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Purchasing Performance</strong> The performance of purchasing and supply management in terms of price savings, total cost, quality, lead times and contribution to innovation – all with regards to purchased items.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Van Weele, 2010*

*Extracted from Meshach, 2015*

*Gonza’les-Benito (2007), Krause et al. (2001), Pagell and Krause (2002)*
**Public procurement/purchasing**
can be defined as the process through which public institutions which include government ministries, government departments, parastatals, and local authorities acquire goods and services and construct or acquire buildings and other infrastructure through the use of public funds or any funds designated as public funds.

**Service quality**
the degree of discrepancy between customers normative expectations for service and their perceptions of service performance

(Parasuraman, Zeithaml, and Berry, 1985)

Source: Developed by Author

### 1.11. Conclusion

This chapter introduced the subject of strategic purchasing and how it relates to financial performance. Statistics from international organizations were highlighted in this chapter with illustration with study facts and figures. The statement of the problem was also highlighted. In addition, the purpose of the study together with the objectives of the project was also outlined. The research questions which were derived from the objectives were also noted including the assumptions, limitation, and delimitation of the study. Definitions of key terms used in the study were provided with citations. Finally, a conclusion of the chapter which outlined the summary of the dissertation was also noted.

This dissertation consists of five chapters which are summarized as follows:

**Chapter 1** describes the problem and the background of the research project. The objective of the research and the research questions are presented here.
Chapter 2 presents the literature review, theoretical framework. Terminologies, definitions, themes and brief theories related to this study. The purpose is to acquaint the reader with the research field; some relevant fields and notions are discussed here. Chapter 3 presents the methodology for this study. Methods in general, and then the chosen research methodology is presented and motivated. A discussion about validity and reliability is found in this chapter. Chapter 4: Presents the results of the study, findings, interpretations, and discussions Chapter 5 is a conclusion and suggests further research. The discussions and conclusions from this research and the results of the three research questions are presented in this chapter. Future research is also being proposed in this chapter.
CHAPTER 2: LITERATURE REVIEW

2.0. Introduction
This Chapter covers theoretical concepts of strategic purchasing and its effect on financial performance and the empirical literature of these two parameters. It outlines the related researches in the area of Strategic purchasing and its relationship with financial performance.

2.1 Conceptual Framework
This section describes the conceptual framework for the relationship between strategic purchasing and financial performance focusing on purchasing budgets, purchase prices, and market value, purchasing services quality and purchasing human resources professionalism. The framework is based on the literature review of these activities.

The framework of this study is illustrated as in figure 2 below: -

![Conceptual Framework Diagram]

- Strategic Purchasing
- Professonalism
- Purchasing Budgets
- Purchasing prices
- Purchasing Service quality
- Financial Performance
Figure 2: Conceptual Framework

Paulraj, Chen and Flynn, 2006 as with other prior researchers (Chen, Paulraj and Lado, 2004; Shi and Yu, 2013) supported this strategic nature of purchasing by postulating that whereas it used to be an isolated part it is now regarded as an essential tool for having a profound impact on the performance of supply chains

2.2 Theoretical Literature Review

This section discusses the theories that relate to strategic purchasing and its effect on performance. Previous literature is examined and discussed as it relates to the objectives of this study, the theories that relate to this study are summarised in Table 1 below.

Table 2: Theories that relate to strategic Purchasing and Financial Performance

<table>
<thead>
<tr>
<th>Theory</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource-Based View</td>
<td>A company’s competitive advantage may be sustained by valuable, rare, imperfectly imitable and non-substitutable resources</td>
</tr>
<tr>
<td>Stakeholder theory</td>
<td>Both internal and external actors influence the activities of companies</td>
</tr>
<tr>
<td>Relational View</td>
<td>Like the resource-based view unable companies to have competitive advantages</td>
</tr>
<tr>
<td>Knowledge-based View</td>
<td>Value creation through collaboration Multi-party relationships with an open system view</td>
</tr>
</tbody>
</table>
It examines how external pressures (coercive, mimetic and normative isomorphism) influence a company to adopt an organizational practice.

Authors (Various Authors)

2.2.1 Resource-based Theory

The Resources based view can be used in strategic purchasing as was noted by Barney, 2012. Barney noted that contrary to Ramsay's conclusion (John Ramsay, 2001) and Davis, 2008 and 2012; Shelby and Donna, 2012) positioning of their article purchasing can have attributes that are a source of competitive advantage and this competitive advantage can have a profound effect on the financial management of an organisation. This dovetail well with that fact that the purchasing budgets if well researched and meticulously planned, will enable the purchasing organisation to obtain the best value for money which may be used as a means of competitive advantage. The competitive advantage may result in the improved financial performance of the purchasing organisation.

The resource base review can be applied to strategic purchasing as the competitive advantage that organisations can pursue may result in the improved financial performance of firms. This dovetail well with the fact that the knowledge that the purchasing office have will result in them implementing processes and procedures that would allow value for Money. With Value for Money, they may be saved that are accrued or improved purchase of quality products which may improve service delivery. Whilst organisations do purchasing, there are differences in performance which is caused by competitive performance derived from their competitive value. Successful companies seem to be able to utilise their resources better and more effectively than their competitors (Van Weele, 2010). Similarly, in the public sector, those that have been able to produce good purchasing budgets, obtain better prices which are related to the market and provide purchasing service quality which is next to none. The purchasing service, underpinned by professional purchasing officers may improve the public sector entities financial performance and enhance service delivery.
2.2.2 Relational View
There are two theories that work hand in glove with the resource-based theory. Other researchers have suggested that rather than looking at internal resources the firms can also look at their external resources and this can determine their firm's competitiveness. The two theories are the relational view and the resource dependency theory (Dyer&Singh,1998). The relational view postulates that both complementary resources controlled by Eternal suppliers and the relationship with such suppliers can be the sources of competitive advantage. The purchasing budgets, purchasing prices and the purchasing service qualities are improved when this competitive advantage is available and when there is an excellent collaboration between the purchasing organisation and the suppliers

2.2.3. Stakeholder Theory
The aim of stakeholder theory is to satisfy a broad array of stakeholder groups based on their specific demands (JEFFREY S. HARRISON,* DOUGLAS A. BOSSE, 2010). These Researchers further noted that firms that develop stakeholders develop trusting relationships with them based on principles of distributions, procedural and interactional justice. These lead to competitive advantage resulting in the firm competitiveness and performance.

In like manner, the purchasing of goods, services, and works solely depends on the ability of the purchasing organisation to manage all stakeholders especially the suppliers of goods and services. Purchasing budgets are done for the purpose of purchasing goods, services and works from suppliers and the prices obtained are market or supplier-related. As such it is of paramount that the purchasing organisation understand the whole spectrum of stakeholders. This will ensure improved purchasing service quality also.

The Purchasing department interacts with a variety of stakeholders such as other buyers, contractors, suppliers, the community and internal staff in other operational functions. Schneider and Wallenburg, 2012 noted that sustainable sourcing should be
of great interest to purchasing professionals as this works well with stakeholders especially the salient ones. They also added that training programmes may be used to systematically extend purchase manager’s stakeholder perception and that an increased interaction of the purchasing function with other business departments could be facilitated by providing purchasing managers with skills and the opportunities to communicate, network and coordinate with managers from other business functions. These connections and networking may in the medium and long term results in an increase in service quality thereby affecting the financial performance of an organisation.

Furthermore, the development of a supplier base and relationship management in purchasing is a critical lever in obtaining value for money by the purchasing organisation. The environment in which the purchasing organisation interacts with business is also another critical factor. Nagati and Rebolledo, 2013 also noted that a dynamic environment motivates suppliers in supplier development. As stakeholders are engaged, they fill inclined to work together with then purchasing organisation and ensure that the purchasing prices of their commodities are in line with the market values. They will also understand the purchasing budget of the Purchasing organisation and will offer values to it. The engagement of stakeholders can also not be undertaken if the organisation does not have professional staff in the purchasing department. Purchasing Service quality can be enhanced through stakeholder engagement. An engaged stakeholder is a valuable asset to any organisation, more so to a purchasing organisation.

Although the shortcomings of stakeholder theory include lack of specific strategies for value creation and, management of governance and power structure in organisations, the management of stakeholders themselves can unlock value in purchasing. These values may go towards improving the financial performance of a firm. In addition, Organisations with strategic purchasing are able to ensure that there is long term, cooperative relationships &communication and achieve so much responsiveness to the
requirements of their suppliers and customers. The responsiveness will go towards improvement in the financial performance of the purchasing organisation.

2.2.3 Knowledge-based view

Knowledge sharing can be used in strategic purchasing as this will enable the buying organisation to have knowledge of the practices of other firms and benchmark their purchases with that knowledge. This agrees with the postulates that were done by Hult and Slater, Stanley F, 2004 who applied the Knowledge view to the information process and knowledge development in organizational supply chain performance. Knowledge sharing across the supply chain affects positively the way goods and services are purchased and may affect the financial performance of a firm. In addition to the above Knowledge is a source of competitive advantage and exchange of knowledge increases the purchasing value creation.

The application of the knowledge-based view was further recently supported by Schütz et al., 2019. Schütz et al observed that purchasing knowledge is a major antecedent for both savings and strategic purchasing performance. However, it was noted that the same is amplified by purchasing integration. The purchasing knowledge can only be possible through professional staff in the purchasing department.

In conclusion, the resource-based views, the stakeholder theory, the relational view, and the knowledge-based view relates very well to strategic purchasing and financial performance of the organisation. They, however, each respond to different elements of how an organisation may create value through the purchasing function. These theories dovetail very well with the objectives of this study which are to determine how the purchasing budgets affect the financial performance of public sector entity, and how the purchasing prices relate to markets values and hence affect the financial performance of public sector entities. Furthermore, the theories also talk to how professionalism in purchasing can be used to enhance service quality and foster improved financial performance.
2.3 Empirical Literature Review
This section describes the empirical literature related to the three main objectives of this study and the interacting objective of professionalism. Similar or related studies are extracted, discussed, evaluated and analysed.

2.3.1 Effects of purchasing budgets on financial performance
An organised Purchasing organisation will only execute purchasing after careful planning as purchasing planning is one of the critical drivers for a well-organised purchasing process.

The purchasing process of Van Weele, 2010, consists of six steps which occur between the supplier and the internal customer. These steps are:

1. Specifications
2. Selecting
3. Contracting
4. Ordering
5. Expediting and Evaluation
6. Follow up/Evaluation

Without specifications, the purchasing process is not possible and the quality of the specifications are of paramount importance. Specifications of purchases and supplier service requirements continue to be more stringent and grow in their technical complexity (Gadde et al., 2010). This calls for user departments to ensure that they also have knowledge about the products they will be requesting. Poor specifications will result in poor products being supplied and value for money will not be achieved. In the Zimbabwe Public Procurement and Disposal of Public Assets Act (PPDA) [Chapter 22:23] user requirements or specifications shall not refer to any particular trademark or brand name, or to any patent or design, or to any producer or service provider, unless there is no other practical way of describing the procurement requirement, in which event words such as “or equivalent “shall be included in the specifications.
Turley, 2013 noted that organisations should come out with performance-based specifications as these allow the public authorities to specify their needs in general terms by describing what functions they require rather than specifying the minute details of the inputs and process required to get there. The same author also added that there are potential savings and benefits that are accrued when these type of specifications are used. The same report muted the fact that performance-based specifications are thus a tool with public procurers can stimulate markets to deliver innovative and environmental sound solutions. These Solutions will go towards improvement in the financial performance of the public sector entities.

In Zimbabwe Public spending by the central government, local authorities and state-owned enterprises or parastatals represent over 20% of Zimbabwe’s GDP (World Bank, 2017). This purchasing power can have a significant market impact, influencing suppliers and setting an example for the commercial sector.

However, all those activities indicated above will only happen if there is a purchasing budget that talks to the strategic direction of the organisation. In Public Entities in Zimbabwe, a budget is produced once a year at the end of the financial year and according to the Public Procurement Law, the procurement practitioners should then develop their purchase budgets following the approval of the budget, that is not less than the end of the first months of the budgeting year.

2.3.2 Effects of Purchase prices and Market values on Financial Performance
With any purchase of goods or services, including sole source items, some type of cost analysis is required. A part of this analysis is the verification of pricing. Price Analysis is the process of examining and evaluating a “proposed price” to determine if it is fair and reasonable without evaluating its separate cost elements and profit. There are many ways to analyze the pricing of a product or service which includes Comparison of Competitive Bids, Comparison of Prior Quotations, Comparison of Published Price List, Prices Set by Law or Regulation, Similar Item Comparison, Rough Yardstick Comparisons.
Recent researches over the past 15 years (Chen, Paulraj and Lado, 2004), Zimmermann and Foerstl, 2014, A, Jean Nollet, and Julien Robineau, 2017) has empirically supported that strategic purchasing contributes to firm performance but again focussing on a Private sector approach.

However different scholars over years including Hartmann, Kerkfeld and Henke, 2012 are still postulating the same issue of cost savings as the main contribution of the purchasing office. Irrespective of the same antecedents of purchasing savings, this is a clear marker of financial performance. The Public Sector in Zimbabwe can benefit on these savings by using the savings to stretch some more activities.

Accordingly, the basis for a well-planned purchasing department is the purchase plan. The Purchase plan articulates clearly all the items that need to be purchased, the quantities and the estimated prices of the products. Most planning in Zimbabwe, the purchase prices are based on the previous purchase (historical trends) regardless of any due diligence on how the price was obtained. Market prices or value are often gathered as part of Market intelligence. Market Intelligence is the process of gathering and analysing information relevant to a company's supply markets specifically for the purpose of supporting accurate and confident decision making in the procurement process. Conducting Market Intelligence can reduce risk, increase savings, improve decision-making, and offer "the ability to challenge some of the assumptions you've had. Governments do not have national pricing policies but however, in the Pharmaceutical sector, pharmaceutical pricing policies are thus affected by governments with regards to public health objectives such as access to affordable medicines, and national industry policies such as a reward for innovation. The Pharmaceuticals industry, therefore, develop appropriate pricing strategies from its own perspective (Gregson N et al, 2005). In the same Pharmaceutical sector, research done in New Zealand and 16 European Countries by Vogler, Kilpatrick, and Babar, 2015 noted that prices difference between the originator products and generic versions ranged from 0% to 90% depending on the medicines and the country. One important concept of comparison of purchase prices and market values or prices is the Eternal
Referencing concept (ERC). External referencing (ER) imposes some price cap commodities, based on prices of identical or comparable products in foreign countries or outside the buying company. With very few exceptions, most countries in the industrialized world have implemented ER at some point in time. Indeed, the policy has been in place in all European countries except Bulgaria, Cyprus, Germany, Malta, and the United Kingdom. Puig-Junoy, 2004) states that ‘the conditions on the EU market are in effect weakening the use of cost-based price regulation and giving more importance to the observed price in other European countries (external reference pricing). A study done in the European countries for generic medicines noted that promoting generics through reference pricing, prescribing budgets encourage price competition and more affordable quality health care to patients (Perry, 2006). A similar assertion was noted by Puig-Junoy, 2010

Heuer et al., 2007 also reached a similar conclusion from their formal empirical analysis and noted that while the negotiation is accepted differently in purchasing, the Eternal referencing concept may result in value for money, if products with similar characteristics are compared with both international and local market.

According to economic theory, price is assumed to influence buyer choice because price serves as an indicator of the purchase cost. That is, assuming the buyer has perfect information concerning prices and wants the satisfaction of comparable product alternatives, he can determine a product mix that maximizes his satisfaction for a given budget constraint. However, the extent that buyers are conscious of the prices they pay influences the way prices are perceived and the role price plays in buyer choice.

With the advent of Pooled Procurement Mechanisms such as those of WHO, UNICEF, GLOBAL FUND, IDA, there have been considerable benchmarks in terms of market prices and a buying organization should be guided by these to make informed purchases. The buyer can also get the local data from the previous price
guides of local purchases from within the local setting in the same organization or outside itself but within the same country.

In addition to the above, transparent governments have websites that share the expenditures of that country including purchase prices. Examples of such websites include www.spo.hawaii.gov, www.gsaelibrary.gsa.gov, www.usaspending.gov http://dsbs.sba.gov, www.fbo.gov. The Procurement Officer is responsible for documenting the determination of price reasonableness in all purchases.

2.3.3 Effects of Purchasing Service quality on financial performance

The Concept of Service Quality is derived from the 1985 Parasuraman et al research which brought the measurement called SERVQUAL. The 5 dimensions of SERVQUAL is illustrated in the table below, with an additional column on what component is taken into consideration by this study:

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Parameters</th>
<th>Purchasing Dimensions in this study/dissertation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangible</td>
<td>Appearances of Physical elements</td>
<td></td>
</tr>
<tr>
<td>Reliability</td>
<td>Dependability, accurate performance</td>
<td>Reliable products and services</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>Promptness, helpfulness</td>
<td>Fast Delivery of products</td>
</tr>
<tr>
<td>Assurance</td>
<td>Competence, courtesy, credibility, and security</td>
<td></td>
</tr>
<tr>
<td>Empathy</td>
<td>Easy access, good communication, and customer understanding</td>
<td>Advance information about the potential quality and delivery problems</td>
</tr>
</tbody>
</table>

Source: Developed by the Author
Purchasing Service quality can be either internal or external as the customers that are served differs. Purchasing Internal Service Quality refers to the perceived quality of service provided by purchasing to other units or employees within the organisation (Brandon-Jones & Silvestro, 2010). This concept looks at purchasing function outcome that is serving internal customer satisfaction. In the public sector, the internal customers are the departments of finance, operations, logistic, administration, Human resources and others that are there for provision of service not necessarily profit. The external includes some other departments in the same organisations but also the suppliers of goods and services.

The internal customer satisfaction is critical as this will give rise to the delivery of service quality to eternal customers. Service quality can be numerically presented as: -

\[
\text{Service Quality} = \frac{\text{Perceived Performance}}{\text{Desired Expectations}} \times 100
\]

From this, we can note that the perception of the service quality differs from customer to customer.

The purchasing service quality was examined in Uganda (Patrick Kakwezi and Sonny Nyeko’, no date) upon a cross-sectional study of the procurement function, it was noted that purchasing service quality was the most preferred measure of the procurement performance followed by purchasing efficiency and purchasing effectiveness. This result underlines the fact that despite the principles of efficiency and effectiveness being the panacea of purchasing, the service quality is of paramount importance.

In like manner, a study which was done in the banking industry using the SERVQUAL measurements posits that there is an improvement in service quality using the dimensions of reliability, empathy, and assurance and these improvements have a positive effect to the bank profitability and view by customers (Lo Liang Kheng, Osman Mahamad, 2010). The same study found out that improvement in service quality can enhance customer loyalty. As this loyalty is maintained, then the bottom line of the firm will also be affected as expected by business to keep their customers and lure new ones.
(Meshach, 2015) also noted that service quality could be regarded as a driver of financial performance.

2.3.4. Effect of Professionalism in purchasing budgets, market intelligence & purchasing services quality towards financial performance

The Public Interest (GIP, 2013) called also ALFA centre defines professionalism as a process which brings together all the actions and approaches that allow professional activities in emergence and construction to become a real profession, to enrol in professional courses and to be recognised in training standard, qualification and professional certification (Extracted Amry, 2018).

While all the issues that have been discussed above under the empirical literature may be critical in fostering improved financial performance, professionalism, as defined by the GIP above in purchasing, is the icing on the cake. This professionalism looks at the investment in the human capital for purchasing. Without proper people, the processes and systems of the purchasing function will be underutilized. Professionalism in purchasing is one component of purchasing maturity. Purchasing maturity has been found to increase internal customer satisfaction and has been documented to produce purchasing savings (Arlene, Van Wheele, 2014). Purchasing maturity refers to the level of professionalism in the purchasing function. (Sciele, 2007, Van Weele, 2010). This level reflects the extent to which the purchasing function is put together into the strategic management decision-making processes (Bemelmans, Voordijk, 2013, p.343). The maturity model recognises that there is a need for professional purchasing officers.

Furthermore, a study done in three countries within the region by Tukuta and Saruchera, 2015 noted that there is limited recognition of procurement professionals which results in among other things poor supplier service delivery. These attributes also point to the fact that without the right people in the purchasing department the development of purchasing budget, the good practice of market intelligence and high purchasing service quality is a dream that will not come true in public sector entities.
Similar observations were noted in Morocco whereas it was postulated that the professionalism of public buyers is a key determinant of the efficiency of public procurement (Amry, 2018). The efficiency of the profession will contribute to well-defined purchasing budgets, market intelligence and recognisable purchasing service quality. These will be translated to the financial performance of public sector entities. The Organisation for Economic Cooperation and Development (OECD, 2010) recommends that granting civil servants working in the field of public procurement the status of professionalism in their right is essential to better resist mismanagement, waste, and corruption. This assertion recognises that public sector entities should invest in the professionalism of public purchasing in order to give enough incentives to lure potentially qualified public servants in the purchasing function. This would improve the performance of the public procurement systems (extracted from Amry, 2018). The resistance to mismanagement, waste, and corruption has profound effects on financial performance as these lead to financial arbitrage and loss in the public sector.

Professionalism also as mentioned by (Héron, 2013) aims to promote buyers capabilities to rationalise purchases. The capabilities which include regulatory functions, economic functions, management functions, and financial functions. The rationalisation for which has also a profound effect on limited financial resources in the public sector as the professional purchasing officer will be able to master issues of budgets, accounting, planning, and evaluation of purchasing function.

Accordingly, to the above arguments, public purchasing officers play a pivotal role in determining how public sector entities allocate resources that produce goods and services that are demanded by the citizens and should do so in an economic and just manner and their professionalism will go a long way in maximum utilisation of limited public resources.

2.4 Research Gap

While researches have been done in Zimbabwe by various researchers on Procurement and Supply Chain Management such as sustainable procurement by Chari, Public
Procurement in Zimbabwe issues and challenges by Daniel Chigudu, Musanzwika (2013) on Public Procurement System Challenges in Developing Countries, there have been no research studies on the investigation of strategic purchasing and good financial performance of public sector entities. Several other types of research also did focus on the purchasing function in the private sector where profit margins are a panacea to the strategy. In the public sector, the ultimate goal is to improve service delivery by doing more with less. Documentation of this relationship will raise the profile of purchasing in the public sector entities and the status quo will not be maintained. Business as usual mentality in the public sector will continue to result in leakages of public resources or funds as weak processes are being engaged and completed without consideration of the strategicality of the purchasing function. Purchasing in the public sector also has unique characteristics that require different strategies as compared to the private sector where the focus is business orientation. Although many processes that happen in the private sector are similar to what happens in the Public sector, the regulations, existence of corruption, multiple objectives and fixed budgets distinguish public purchasing from private purchasing purchasing (Barreto, 2000; Fee, Erridge, & Hennigan, 2002; Arlbjørn & Freytag, 2012; OECD, 2007). While the purchasing maturity model was developed (Poucke et al., 200), the examination of professionalism as a construct of strategic purchasing and its extent effect on financial performance in the public sector remains an area that needs further research.

In light of the above discussion, this study seeks to investigate the effects of strategic purchasing on the financial performance of public sector entities in Zimbabwe taking cognisance of the primary purpose of the public sector expenditure which is different from that of profit-driven businesses but improved service delivery, a socio-economic and political point of view.

2.5 Conclusion

Strategic Purchasing if underpinned by rigorous processes of supplier selection, due diligence processes, and recognition of purchasing professional proficiency, will
result in the good financial performance of public sector entities. This good financial performance will result in improved service delivery, which is critical for the operation of governments and quasi-government institutions. **This will result in strategic purchasing** providing the competitive advantage which will unlock value and p will result in improvement in the performance of the public sector entities in Zimbabwe. This dissertation will address the negative impact of the myopic view of the purchasing function of public sector entities. Quantitative data is collected through questionnaires using the Likert scale and analysed using statistical analysis tools.

The Quantitative data using Likert scales have been used by several researchers and the results have been validated. This research will expose some strategical purchasing function issues in the public sector which if implemented will result in the unlocking of value resulting in improved service delivery. Improved service delivery has a positive impact on the socio-economic transformation of Zimbabwe and the political landscape. This will result in the Public sector having the interest to use strategic purchasing strategies to conduct the purchasing function thereby putting purchasing as a strategic management function in the public sector. The dissertation contributes to the strategic purchasing management issues in the Public sector by being the first to investigate the effects of strategic purchasing on financial performance.
CHAPTER 3: METHODOLOGY

3.1. Introduction
This chapter describes the research methodology in general and the methodology that has been used in this research project. Methods of data collection, validity and reliability of data and information are also included in this chapter. It provides an analysis of the approach used to gather information from the field. Emphasis is on the research method used, the data collection instruments, data collection procedures, sampling of sites and methods. The chapter will end with a summary of how the gathered data will be presented, condensed and analysed.

3.2. Research design
An analytical descriptive study was used. The independent variable is strategic purchasing while the financial performance is the dependent variable. The constructs or variable that are considered as strategic purchasing are

✓ Purchasing Budgets development
✓ Purchasing prices, Due diligence and market values
✓ Purchasing service quality and an interacting variable of
✓ professionalism

3.3. Research Instruments
Primary data will be used. The data will be from public procurement entities extracted from the Procurement Regulatory Authority of Zimbabwe Websites (PRAZ) (www.praz.gov.zw). The Procurement Entities are defined as per the Public Procurement Entities by the Public Procurement and Disposal of Public Asset Act [Chapter 22:23]

A modified proposed model of strategic purchasing alone will be used, which will show a causal model of strategic purchasing on the public sector financial performance. This model will link strategic purchasing to financial performance in the public sector with
three constructs and one latent variable. The following assumptions/Constructs will be considered

3.3.1. **Strategic Purchasing and Purchasing budgets effects on financial performance**
- User departments use generic or neutral specifications
- Purchasing is actively part of the Procurement entity planning processes
- There is a Purchasing department with well-defined terms of reference or scope
- User departments specifications are market informed
- The purchasing budget is consistent with the Procurement entity cooperate strategy

3.3.2. **Purchasing Prices, Due Diligence, and market values effect on financial performance**
- The purchasing plan has estimated prices for all commodities
- The purchasing prices are in line with some international benchmark
- The purchasing prices are in line with the local market
- The purchasing price is value for Money

3.3.3. **Purchasing service quality and effects on financial performance**
- Fast Delivery of products
- Reliable products and services
- Advance information about the potential quality and delivery problems

3.3.4. **Professionalism in purchasing and financial performance as an interacting or latent variable**
- Dedicated and experienced purchasing officers in the purchasing department
- Qualified and well-trained purchasing officers in the organisation
- Licensed/certified purchasing officers in the organisation
The strategic purchasing constructs will be measured using a seven-point Likert scale as was done by Chen et al (2004) with anchors ranging from Strongly disagree (1) to strongly agree (7) in order to ensure high statistical variability.

Such psychological tool and measurements were also used by several authors including Yee, Yeung and Cheng, 2009

The dependent variable of financial performance will also be measured using the same Likert scale with anchors ranging from decreased significantly to increased significantly. The interacting variable of professionalism is also measured on by considering its importance in the production of purchase budgets, ensuring that market prices are used and facilitates purchasing service quality.

3.4. Data Collection Procedures

A simple random sampling method of considering the 24.6% of the entire population was used. From the total 230 expected participants, 50 were selected for the Study and only 23 responded giving 46% responds rate. Systematic sampling technique was used. Selected participants were numbered and then selection was done by selecting the 10th participant on the list. Systematic sampling is a type of probability sampling method in which sample members from a larger population are selected according to a random starting point but with a fixed, periodic interval. This interval, called the sampling interval, is calculated by dividing the population size by the desired sample size.

Primary data will be collected through a structured questionnaire from the procurement sections or departments or finance of the purposively selected public sector entities. A self-administered questionnaire will be shared by hard copies or email and collectively filled by the procurement or finance and administration departments for each public procurement entity. Data collected will be protected and will not be shared. Ethical approval and consent will be filled by the researcher so as to assure the respondents that the data will not be shared publicly. Authority from the University is shared together with the structured questionnaire.
3.5. **Data Presentation and analysis**

Statistical software will be used to measure the constructs. Data entry and cleaning was done. Data analysis was done using the Statistical Package for Social Scientist (SPSS) version 16.0. Continuous variable results were presented as means ± SEM. Categorical variables were expressed as frequencies and percentages. Cronbach alpha for reliability test was done to measure consistency of the questions for the Likert scales and subgroups.

**Conclusion**

In investigating the effects of strategic purchasing variables of purchase budgets, purchase prices, purchasing service quality underpinned by professionalism in purchasing, a structured questionnaire requesting for perceptions and views of mainly purchasing executives was used. Primary data was collected using a structured questionnaire and the main mode of collection of data was through the electronic emails and WhatsApp. Data analysis may be done through Statistical package of SPSS version 16.
CHAPTER 4: DATA PRESENTATION, ANALYSIS, AND DISCUSSION

4.1. Introduction
This chapter presents the data as obtained from the questionnaire that was sent to about 50 procurement executives. The data is analysed, interpreted, and discussed. It ends with the conclusion which summarises the main issues that are produced by the data.

4.2. Data Presentation Process
Data were collected from respondents through emails and hard copies. The data was coded and entered into SPSS. Graphs and tables were extracted from the systems and analysis done.

4.3. Presentation analysis, interpretation, and Discussion

4.3.1. View Point of Respondents

Table 4: View Points of Respondents

<table>
<thead>
<tr>
<th>Viewpoint</th>
<th>n</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whole organization</td>
<td>6</td>
<td>26.1%</td>
</tr>
<tr>
<td>Business Unit such as PMU</td>
<td>13</td>
<td>56.5%</td>
</tr>
<tr>
<td>Branch organization</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
<td>17.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>23</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Figure 3: Organisation Viewpoint
The majority of study respondents represented the business unit viewpoint (56.5%) followed by those representing the whole organization (26.1%). The remaining 17.4% represented other viewpoints such as individuals.

4.3.2. Existence of the Organisation

*Table 5: Existence of Organisation*

<table>
<thead>
<tr>
<th>Row Labels</th>
<th>Below 2 years</th>
<th>3-5 years</th>
<th>6-10 years</th>
<th>Above 10 years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n</td>
<td>%</td>
<td>n</td>
<td>%</td>
</tr>
<tr>
<td>Whole organisation</td>
<td>0</td>
<td>0.0%</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Business Unit such as PMU</td>
<td>5</td>
<td>38.5%</td>
<td>1</td>
<td>7.7%</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>25.0%</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Grand Total</td>
<td>6</td>
<td>25.0%</td>
<td>1</td>
<td>4.2%</td>
</tr>
</tbody>
</table>

The majority of respondents (66.7%) were coming from an entity that is above 10 years in existence, 4.2% from an entity with 6-10 years and 3-5 years respectively. A quarter (25%), were coming from entities with less than 2 years. Most of those who represented the business unit. Most of the respondents were from the purchasing unit as such has a good understanding of the variables that were being investigated.

4.3.4. Responsibilities of officers in the Organisation
Figure 4: Responsibility for Purchasing and Finance

From the study, permanent secretaries are both responsible for purchasing (50.0%) and financial issues (41.7%).

4.3.5. Purchasing Budgets and Financial Performance

Figure 5: Purchasing budgets and Financial Performance
The study respondents generally agreed with purchasing budget assertions depicted in the figure above. 75% agreed that User departments use generic or neutral specifications. On planning 87.5% agreed with the fact that as purchasing is actively part of the Procurement entity planning processes, 91.7% agreed that a Purchasing department with well-defined terms of reference or scope has a positive effect to the financial performance of the organisation, 66.7% agreed that User departments specifications are market informed and 75.0% agreed that having a purchasing budget which is consistent with the Procurement entity cooperate strategy has a positive impact on the financial performance of the firm. The average score for purchasing budgets perception was high at 79.2% with a Cronbach alpha of 0.903.

The high perceptions depicted above shows the development of purchasing budgets and their effect on financial performance is of profound importance. These results and the use of these has an effect on the financial performance of the organisation, it means that for a purchasing organisation to be strategic, it has to have to use the concept of the neutral specifications. This relates well to the requirements of the Public Procurement and Disposal of Public Assets Act [Chapter 22:23]. A study was done by Turley in 2013 also agreed with the fact that specification should be performance-based in general terms as there are potential savings which are accrued and these savings would go towards the improved financial performance of the purchasing organisation. This, however, does not agree with what obtained by Gadde et al, 2010 who indicated that the specifications should be more stringent and technically complex and a purchasing organisation should consider this.
4.3.6. Purchasing prices and market intelligence and Financial performance

Table 6: Purchasing prices and Financial Performance

<table>
<thead>
<tr>
<th></th>
<th>The purchasing plan has estimated prices for all commodities</th>
<th>The purchasing prices are in line with some international benchmark</th>
<th>The purchasing prices are in line with the local market</th>
<th>The purchasing prices are Value for Money</th>
</tr>
</thead>
<tbody>
<tr>
<td>Never</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Rarely</td>
<td>0.00%</td>
<td>13.00%</td>
<td>0.00%</td>
<td>13.00%</td>
</tr>
<tr>
<td>Occasionally</td>
<td>4.30%</td>
<td>17.40%</td>
<td>8.70%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Sometimes</td>
<td>21.70%</td>
<td>56.50%</td>
<td>8.70%</td>
<td>39.10%</td>
</tr>
<tr>
<td>Frequently</td>
<td>13.00%</td>
<td>0.00%</td>
<td>26.10%</td>
<td>13.00%</td>
</tr>
<tr>
<td>Usually</td>
<td>39.10%</td>
<td>0.00%</td>
<td>21.70%</td>
<td>13.00%</td>
</tr>
<tr>
<td>Every time</td>
<td>21.70%</td>
<td>13.00%</td>
<td>34.80%</td>
<td>21.70%</td>
</tr>
</tbody>
</table>

The average score of purchasing prices and market intelligence is 54.3% with Cronbach alpha score of 0.80. 73.9% of the study participants agree (i.e. frequently, usually and every time) with the assertion that the purchasing plan which has estimated prices for all commodities has a positive effect on financial performance of the entities, 82.6% perceive that the purchasing prices are in line with the local market while only 13.0% agree with the purchasing prices are in line with some international benchmark. Besides, 47.8% indicated that The purchasing prices are Value for Money.

The perceived effect of having purchasing prices in the purchasing plan is averagely noted that it has a positive effect on financial performance. However, Gregory et al., 2015 noted from the pharmaceutical sector that the pricing of generic medicines was 0-90% lower than branded products. It means that an organisation should know
the prices of purchase in order for them to have value for money and improve the financial performance of the organisation.

4.3.7. Purchasing Service Quality and Financial Performance

The study respondents were asked about the overall impact of the Fast Delivery of products, reliable products and services and the advance information about the potential quality and delivery problems to the financial performance of the procurement entity. The results are depicted in the graph below. 82.6% reported that the impact of fast Delivery of products is great, 100% reported that reliable products and services have a great impact. Besides, 59.1% reported that advance information about the potential quality and delivery problems will bring a great impact. The average score for purchasing service quality and financial performance is 80.6% with Cronbach alpha score of 0.78

![Graph showing purchasing service quality and financial performance](image)

*Figure 6: Purchasing Service Quality*

This result shows that purchasing services quality (PSQ) is of paramount importance in the public sector entities and its criticality contributes to improvement in the financial performance of the organisation. Furthermore, the purchasing service quality is indicating that it is a source of competitive advantage as postulated by both
the resource-based view and the relational view. PSQ involves stakeholders, which are either internal or external as such the behaviour of the purchasing organisation in producing quality services can also be explained by the stakeholder theory as it in its final consequence also result in the competitive advantage as per the other two theories articulated above. The results also agree fully with the assertion by various researchers (Patrick Kakwezi, Sonny; Lo Liang Kheng, Osman Mahamad, 2010; Ganguli & Roy, 2010) who in various sectors agreed that service quality could be regarded as a driver of the financial performance.

4.3.8. Professionalisation in Purchasing and Financial Performance

Table 7: Professionalism and Financial Performance

<table>
<thead>
<tr>
<th></th>
<th>Dedicated and experienced purchasing officers in the purchasing department</th>
<th>Qualified and well-trained purchasing officers in the organisation</th>
<th>Licenced /certified purchasing officers in the organisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not Important</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Somehow Important</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Slightly Important</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Moderately Important</td>
<td>8.3%</td>
<td>0.0%</td>
<td>20.8%</td>
</tr>
<tr>
<td>Very Important</td>
<td>16.7%</td>
<td>25.0%</td>
<td>16.7%</td>
</tr>
<tr>
<td>Significantly Important</td>
<td>75.0%</td>
<td>75.0%</td>
<td>62.5%</td>
</tr>
</tbody>
</table>

The average score of the effect of professionalisation in purchasing on financial performance is very high at 90.3% with the Cronbach score of 0.60. 91.7% of the study participants reported that it is important to have dedicated and experienced purchasing officers in the purchasing department whilst 79.2% said licensed /certified purchasing officers in the organisation are qualified and all participants indicated that well-trained
purchasing officers in the organisation are important and have a positive effect on the financial performance of the organisation.

These results dovetail well with the fact that professionalisation as part of purchasing maturity has a positive effect on financial management (Arlene Van Weele, 2014). Whereas Sciele in 2017 also agree that this related to the extent to which the purchasing function is included in the decision making of the organisation ensuring that all financial risk mitigations measures are well catered for and planned together at a cooperate level. Schütz et al., 2019 also agrees with other researchers and posit that from a Knowledge point of view, the purchasing function can be a source of potential savings. The effect of which may have a profound effect on the financial performance of the buying organisation.

4.4. Conclusion

The use of Likert –type scale in this study is similar to what other researchers has used and have found similar results though their focus was not specifically 100% on these variables observed but also on other purchasing tenants such as supplier development, supplier relationship management, ABC analysis just to mention a few. Chen e actual, 2004 used the same scales to measure the effect of strategic purchasing but focusing on purchasing maturity and noted that the variable has a positive effect on financial performance.

In addition to the above, the Use of Likert-type scale for measuring purchasing service quality was similar to what was used by (Yee, Yeung and Cheng, 2009) when they were investigating service quality using the SERVQUAL instrument.
CHAPTER 5: SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1. Introduction
This chapter provides a summary of the findings in chapter 4 and provides conclusions and recommendations for each of the objectives. The Overall objectives of the study were to investigate the effects of strategic purchasing specifically using three variables of purchase budgets, purchase price, purchasing service quality and one latent variable of professionalism.

5.2. Summaries of Findings

5.2.1. Effects of Purchasing budget on Financial Performance
The study shows that there is a high perceived impact of public procurement entities having purchasing budgets on the financial performance of the organisation as the majority of cases agreed to this. The Impact is however mainly caused by the fact that the procurement entity should use neutral specifications and the purchasing plans should be part of the organisation cooperate strategy.

5.2.2. Effect of Purchasing prices on Financial Performance
On issues of purchasing prices, market intelligence, due diligence, there is a moderate perception that this variable has an effect on financial performance. Respondents perceived however that there is no need to compare prices of public entities to the International market instead, they favoured a modus operandi of the prices being compared with local markets.

5.2.3. Effects of Purchasing Service Quality on Financial Performance
There is profound agreement (100%) that service quality in purchasing has a significant effect on the financial performance of the buying organisation. The procurement entities in Zimbabwe should conduct business in a fast manner and they should be reliable. However, information sharing was not found to be too significant as it seems the public sector do not want to share information with suppliers or internal clients. This also shows that service quality is a clear source of a competitive advantage which the public procurement entities use to improve service delivery.

5.2.4. Effect of Professionalism in Purchasing on Financial Performance
There is no doubt from this study that, purchasing officers should be qualified, be well trained and certified for them to be able to improve service quality and also ensure that the planning of the purchasing function is well structured. This means that the qualified officers will facilitate the integration of purchasing activities in the public entities cooperate strategies and also plan the budgets of purchase using benchmark prices after due diligence with mainly local market and also the international market where necessary.

5.3. Conclusions

5.3.1. Effects of Purchasing budget on Financial Performance
The study concluded that the development of purchasing budgets before purchasing has a positive effect on the financial performance of public procurement entities.

5.3.2. Effect of Purchasing prices on Financial Performance
The study also observed that every time the purchasing prices are compared with either local or international markets and are produced with due diligence, the overall effect is an increase in financial performance.

5.3.3. Effects of Purchasing Service Quality on Financial Performance
Service quality is purchasing has indeed been observed to be vital in ensuring that the financial performance of the public entities in Zimbabwe is improved as the majority of people perceive that this variable has a significant impact on the financial performance of the organisations. However, the major areas of service quality which has been noted are increased timeous fast delivery of services and reliability. Sharing information to suppliers seems to be a little challenging in the public sector.

5.3.4. Effect of Professionalism in Purchasing on Financial Performance
While we discuss having purchase budgets, conducting market intelligence and due diligence and purchasing service quality, these constructs are underpinned by well qualified, well trained and certified purchasing professionals.

5.4. Recommendations

5.4.1. Effects of Purchasing budget on Financial Performance
5.4.1.1. The public Procurement entities should ensure that all purchases are done are well planned and there is a purchasing budget before embarking on any purchasing endeavour.

5.4.1.2. The government in Zimbabwe should recognise the strategically of purchasing and include purchasing in the development of government and quasi-government strategic plans.

5.4.1.3. Wherever planning is happening the purchasing function should be involved. Uncoordinated planning may be disastrous for procurement entities in Zimbabwe.

5.4.1.4. More studies need to be done to explore how the development of Purchasing budgets can result in the improved financial performance of public sector entities in Zimbabwe

5.4.2. Effect of Purchasing prices on Financial Performance

5.4.2.1. Public Procurement entities in Zimbabwe should, by all means, conduct due diligence and market intelligence before embarking on purchasing of goods, services and works

5.4.2.2. More researches should be explored on the difference between international prices and the expenditure of public sector entities. This can be done through the use of secondary data from both the procurement budgets obtained through planning and the procurement returns which report the actual expenditure of purchases.

5.4.2.3. The contribution of International prices or markets to the financial performance of the public sector entities should be implored

5.4.3. Effects of Purchasing Service Quality on Financial Performance

5.4.3.1. The public sector entities must ensure that service quality in purchasing is maintained at a very high level as this is a marker of service delivery in public service

5.4.3.2. Public sector entities should conduct customer satisfaction surveys often to measure the consistency provision of this quality service
5.4.3.3. However, more need to be done to explore how the other constructs of service quality such as tangibles, and empathy work together with reliability, responsiveness to ensure the high-level provision of quality service to both internal and external stakeholders

5.4.4. Effect of Professionalism in Purchasing on Financial Performance

5.4.4.1. In light of this study, the Procurement Regulatory Authority of Zimbabwe should fast track the professionalism of the purchasing function in the public procurement entities

5.4.4.2. A mechanism should be facilitated to ensure certification of purchasing officers.

5.4.4.3. Structural Modelling Equation (SEM) analysis should be explored to measure the effect of this latent variable to financial performance and also to the purchasing function performance.

5.4.4.4. The correlation between professionalism and financial performance in the public sector in Zimbabwe should be explored

5.5. Conclusion

In light of the above conclusions, strategic purchasing in the public sector in Zimbabwe has a positive effect on the financial performance of public procurement entities. It is recommended that the government of Zimbabwe should treat strategic purchasing seriously in order to improve service delivery. The new Public Procurement law of Zimbabwe should be implemented to the later in order to facilitate the achievement of this agenda. This study recommends that further research be conducted on a comparison between the purchasing budget and the procurement expenditure with special focus on individual marker commonly used commodities in order to establish further this causal relationship in the public sector and triangulate the results of this study.
REFERENCE


APPENDICES 1: LETTER OF APPROVAL

Obtained letter from the Bindura University which is attached. For the Interviews, the research did not require corporate approval but individuals consented as part of the request for information, which was done through email.
APPENDICES 2: ACTUAL QUESTIONNAIRES

The below mentioned questionnaire was used.

My name is Forward Mudzimu and I am a student at Bindura University of Science Education pursuing a Master of Science Degree in Purchasing and Supply Chain Management. I am undertaking an academic research project in partial fulfillment of the requirement of the degree program.

The title of the research is “An Investigation of the effect of strategic Purchasing on good financial performance in the Public Sector in Zimbabwe”

I therefore kindly request your assistant by being part of my respondents and answer the question on this questionnaire. For the sake of confidentiality and ethical reasons, respondents are requested not to write their names on the questionnaire. Responded are assured that the information will be treated with strict confidentiality and will be used for academic purpose only. This survey is targeting all procurement qualified practitioners or Directors of Finances or head of finances. In order to enhance confidentiality kindly send the completed questionnaire to fmudzimu2014@gmail.com. For further information and/or clarification contact the under signed on 0772 969 825.

I thank you for your time.

Signed

Mr Forward Mudzimu (Msc Student)
An Investigation of the effect of strategic Purchasing on good financial performance of an organization in the Public Sector in Zimbabwe

1.1 Research Objectives
The objectives of this research are:

1.1.1 To determine how the purchasing budgets of the public sector are taken into consideration when expenditure is being committed and utilized.

1.1.2 To explore the relationship between the purchasing prices of procurements in the Public sector compares with the market values of commodities

1.1.3 To determine how purchasing service quality results in good financial performance as noted by savings, doing more with less (improved service delivery in the public sector

1.2 Research Questions

1.2.1 To what extent are purchasing budgets taken into consideration when utilization of public sector budgets?

1.2.2 Do Procurement entities conduct due diligences or market surveys and intelligence on purchases before committing to purchase?

1.2.3 What is the role of purchasing service quality in enhancing financial performance of public sector entities?
SECTION A: DEMOGRAPHIC INFORMATION

In answering the questions, you may respond from the point of view of the whole corporation, single business unit, or a branch organization whichever is most appropriate level to you.

1. Indicate the viewpoint from which you will be responding to the questionnaire:
   
   (Tick the Numbering as appropriate)
   
   a) Whole organisation 1
   b) Business Unit such as PMU 2
   c) Branch organization 3
   d) Other ......................... 4

   **NB**: It would be appreciated if you would consistently answer all the questions from the perspectives you have chosen above.

2. How long has this Public entity been in operation in Zimbabwe?  
   
   (Tick as appropriate)
   
   a) Below 2 years 1
   b) 3 to 5 years 2
   c) 6 to 10 years 3
   d) Above 10 years 4

3. What is your position in the organisation?  
   
   (Tick as appropriate)
   
   a) Procurement Manager/Head of Procurement Management Unit 1
   b) Director Finance/Head Finance 2
   c) Other 3

4. How long have you been working in this procurement entity?

55
5. **Who in your organisation has overall responsibility for purchasing?**

<table>
<thead>
<tr>
<th>Permaneent Secretary</th>
<th>1.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive Officer/Managing Director</td>
<td>2.</td>
</tr>
<tr>
<td>Director Finance/Head Finance</td>
<td>3.</td>
</tr>
<tr>
<td>Other (specify)</td>
<td></td>
</tr>
</tbody>
</table>

6. **Who in your organisation has overall responsibility for financial issues?**

<table>
<thead>
<tr>
<th>Permanent Secretary</th>
<th>1.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive Officer/Managing Director</td>
<td>2.</td>
</tr>
<tr>
<td>Director Finance/Head Finance</td>
<td>3.</td>
</tr>
<tr>
<td>Other (specify)</td>
<td></td>
</tr>
</tbody>
</table>
Section B: Purchasing Budgets

7. To what extent do you agree or disagree with the following purchasing functions contribution to the financial performance of your procurement entity.

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Somewhat disagree</th>
<th>Neither agree or disagree</th>
<th>Somewhat agree</th>
<th>Agree</th>
<th>Strongly agree</th>
<th>How can utilization of purchasing budget be improved in order to enhance financial performance in the public sector and improve service delivery?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td></td>
</tr>
</tbody>
</table>

7.1. User departments use generic or neutral specifications

7.2. Purchasing is actively part of the Procurement entity planning processes

7.3. There is a Purchasing department with well-defined terms of reference or scope

7.4. User departments specifications are market informed

7.5. The purchasing budget is consistent with the Procurement
SECTION C: Purchasing prices and market intelligence

8. To what extent do you compare purchasing prices and market values or any local or international benchmarks? Please provide evidence for your answer

<table>
<thead>
<tr>
<th>Never</th>
<th>Rarely</th>
<th>Occasionally</th>
<th>Sometimes</th>
<th>Frequently</th>
<th>Usually</th>
<th>Every time</th>
<th>How can Market intelligence be improved in order to enhance financial performance in the public sector and improve service delivery?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td></td>
</tr>
</tbody>
</table>

8.1. The purchasing plan has estimated prices for all commodities

8.2. The purchasing prices are in line with some international benchmark

8.3. The purchasing prices are in line with the local market

8.4. The purchasing prices are Value for Money

SECTION D: Purchasing Service Quality and financial Performance

9. What is the overall impact of the following purchasing service quality areas to the financial performance of the procurement entity?
<table>
<thead>
<tr>
<th>Decreased</th>
<th>Decrease Slightly</th>
<th>Decrease marginally</th>
<th>Neither increase nor decrease</th>
<th>Increase slightly</th>
<th>Just increase</th>
<th>Increased significantly</th>
<th>How can purchasing service quality be enhanced in order to improve financial performance in the public sector and improve service delivery?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9.1. Fast Delivery of products</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9.2. Reliable products and services</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9.3. Advance information about potential quality and delivery problems</td>
</tr>
<tr>
<td>4</td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<td>5</td>
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<td>6</td>
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<td>7</td>
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</tbody>
</table>

THANK YOU FOR TAKING PART IN THIS RESEARCH PROJECT
APPENDICES 3: ACTUAL INTERVIEW SCHEDULE

The interviews were done electronically and are as attachments.