

**PROCUREMENT MANAGEMENT ON EMPLOYEES' PRODUCTIVITY IN SOME SELECTED PHARMACY IN AKOKO NORTH EASTH LOCAL GOVERNMENT, ONDO STATE.**

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**Abstract:** the procurement and supply activity of organizations is one which spans both internal service and business-to-business services, this is an important activity found in all organizations, public, private, governmental and charities and can be responsible for a large amount of spending. The huge amount involved makes the management of procurement important; hence, the study investigate the effect of procurement management on employee's productivity in some selected pharmacy in Akoko North East, Ondo state.

A cross-sectional survey research design was used in carrying out this study. The population of this study was 10 registered Pharmacy in Akoko North East Local government in Ondo state, the total number of respondents are 20, two (2) respondents from each pharmacy, making 20 in total. The study uses all the population, because of the few respondents. Data were analyzed using descriptive (frequencies, percentage, mean, and standard deviation) and inferential (regression) statistics with the use of SPSS statistical packages version 23.

Using regression analysis, the results revealed that there was significant relationship among the procurement management, using procurement management Planning as a variable to measured procurement management and employee productivity ( $F= 17.305$ ;  $p < 0.005$ ).

The study recommends that organization should planned their procurement system very well so that they will not always be out of stock,

**Keywords:** Procurement management, employee productivity, procurement planning, Organization, Employee

## **1.1 INTRODUCTION**

Procurement is one department that can contribute tremendously to the organization's efficiency effectiveness. If the procurement department bought all that is required into the organization at the right price, time, place, quantity and quality all other department within the organization would drive great benefits from this and would be able to serve their customers (both internal and external) better. If the procurement department is inefficient in its acquisition of goods and services or even works, other departments would be affected and sometimes the consequences can be grave (Snider & Rendon, 2008). According to Getuno et al. (2015), procurement encompasses the whole process of acquiring goods, works or services. It begins when an agency has identified a need and decides on its procurement requirement. Procurement continues through the process of risk assessment, seeking and evaluating solutions, contract award, delivery and payment for the goods, work or service, ongoing management of the contract and consideration of options related to the contract and extends to the ultimate disposal of property at the end of its useful life (Johnson, Leenders & McCue, 2017)

The procurement process is made up of a series of activities, aimed at finding the right product or service at the best quality and lowest price. In fact, a procurement process can range from: Strategic buying, whose main objective is to establish long term relationships between customers and suppliers, this requires a careful vendor selection and a long-term agreement on the supply management (Oguntola, 2017). According to Ogunsanmi (2001), the procurement process is also concerned with the form of procurement whether by contract or direct labour and with the quality of delivery of both the work carried out and the level of service provided.

Smeltzer (2003) opined that in order to complete firm's strategic goals, selecting the right suppliers to ensure their dependable and flexible supply is one of procurement management objectives. The procurement process is viewed as involving sourcing (planning: needs identification and assessment, supplier selection) contracting, monitoring and evaluation, and expediting; based on the model definition by (Van weel, 2002). Procurement planning, controls, monitoring and staff training in procurement practices have a great role in the performance of an organization ( Makabira & Ester, 2014). Aladejebi & Adedeji (2015) in their study showed that procurement planning have a negative impact on performance. The linkage of procurement to organizational performance in particular, makes the embracing of best practices important to present organizational success.

## 1.2 Statement of the problem

According to Chipiro (2009) the procurement and supply activity of organizations is one which spans both internal service and business-to-business services. This is an important activity found in all organisations, public, private, governmental and charities and can be responsible for a large amount of spending. Such spending on, for example, materials components, facilities, subcontract capacity, IT equipment and supplies, consumables, stationery, travel and insurance can constitute a significant amount of money. Most organisations spend at least one-third of their turnover/income on the purchase of goods and services (Killen & Kamauff, 1995). Most organisations failed to take into consideration the proper management of procurement activities by implementing all the necessary procurement planning processes before embarking on both procurement and purchasing activities of the organization (Aladejebi & Adedeji, 2015). Moreover, in terms of cost reduction, inventory management and enterprise resource planning most of the business firms tend to lag behind.

Study by Angela (2016); study the effect of procurement planning and training of workforce in the university, also study done by Aladejebi & Adedeji (2015); investigated the influence of procurement planning on agricultural sectors Study by Oguntola (2017) examine the impact of strategic procurement in realization of organizational goals in a nigerian private university. Makabira & Ester (2014); examine the Role of Procurement Practices on the Performance of Corporate Organizations in Kenya: A Case Study of Kenya National Police Service, most of the studies was carried out agricultural sector, educational sector and the military sector, but the few study that is related to the health sector was carried out by Adenuga & Dosumu (2012) looking at assessment of procurement methods used for executing maintenance works in lagos state, selecting their responses organizations like Local Authority Housing, Housing Association, Residential Managing Agent, Universities, Health Authorities and Private Commercial Property Owners. And this was carried it in Lagos state, due to the environmental changes, it might be difficult to rely on the finding of the study, hence, the study sought to establish the role of procurement planning on the productivity in some selected state hospital in Ondo State.

Studies by Angela (2016); Adenuga, & Dosumu (2012); Makabira & Ester (2014); and Kakwezi & Nyeko, (2010). In their study showed that there is a significant relationship between procurement process and performance of employee. But study by Githinji, & Moronge, (2018) showed that procurement planning have a negative impact on performance, Because of the controversy, it is necessary to investigate the relationship between procurement process and its effect on the profitability of the organisation

## 1.3 Objectives of the Study

The objective of the study was to establish the role of procurement management on Employees productivity in some selected Pharmacy in Akoko North Easth, Ondo state.

## LITERATURE REVIEW

### 2.1 Conceptual Definition

Procurement management has been defined by many authors in the literature and the various definitions are given in this study. Procurement management is one such form of management, where goods and services are acquired from a different organization or firm. It is in the way the procurement is carried out and the planning of the process that will ensure the things run smoothly. Also, The procurement process is viewed as involving sourcing (planning: needs identification and assessment, supplier selection) contracting, monitoring and evaluation, and

expediting; based on the model definition by (Van weel, 2002). In addition, According to Getuno et al. (2015), procurement encompasses the whole process of acquiring goods, works or services.

A procurement process can range from: Strategic buying, whose main objective is to establish long term relationships between customers and suppliers, this requires a careful vendor selection and a long-term agreement on the supply management (Oguntola, 2017). According to Ogunsanmi (2001), the procurement process is also concerned with the form of procurement whether by contract or direct labour and with the quality of delivery of both the work carried out and the level of service provided.

In line with the definition given by Van weel, (2002) who gave a comprehensive definition of procurement Process and after considering the commonality of definitions given by the various authors, this definition was adopted for the purpose of this study. The various procurement practices were given in the next section.

## **2.1.2 Procurement Practices**

### **2.1.2.1 Procurement Planning**

Basis of work organization is provided through proper planning of projects as well as allocation of individuals' responsibilities. According to Brown and Hyer (2010) planning is comprised of the identification of the main purpose, scope definition, requirements of customers, and identification of activities of procurement, time estimation which can be based on delivery of goods and services as per cost quoted and scheduled, responsibilities assignment among other many involvements. The element of planning could be used to answers the following questions: What organizational result is expected? And what does the organization hope to accomplish by successfully completing this project? For one to understand the essential planning role which is played in successful implementation of projects, planning preparations is therefore required to be excellent, and these could involve well elaborated process scheduling of implementation phases and task timeliness, milestones, re-planning as well as fallback positions (Frese et al 2003). An implication that planning in conception is not enough as Saunders (1997), observed that planning can also consist of forecasting which assist in the cost prediction process and financial statement. Eventually, the principal function of planning in procurement is to secure any delays in public projects implementation and avoidance of budgetary related situations which might be stumbling blocks to project success.

## **2.1.3 Employee Productivity**

The effectiveness of productive effort, especially in industry, as measured in terms of the rate of output per unit of input. Productivity describes various measures of the efficiency of production. Often, a productivity measure is expressed as the ratio of an aggregate output to a single input or an aggregate input used in a production process, i.e. output per unit of input, typically over a specific period of time

## **2.2 Theoretical Framework**

### **2.2.1 Principal-Agency Theory**

The principal-Agency Theory is the underpinning theory used to establish the framework for this study. The principal-Agent Theory is an agency model developed by economists that deals with situations in which the principal is in position to induce the agent, to perform some tasks in the principal's interest, but not necessarily the agent's (Health & Norman, 2004). Several studies Rokkan & Buvik (2003) have contributed to the literature on principal agent theory. All these contributions have one main theme which is the relationship between a principal and an agent. The principal-Agent Theory concerns with the arrangement that exists when one person or entity (called the agent) acts on behalf of another (called the principal). The principal's contract with the agent to perform some services on the principal's behalf. These contracts require the agent to exert effort and make decisions. For example, shareholders of a company (principals) elect management (agents) to act on their behalf, and investors (principals) choose fund managers (agents) to manage their assets. That is the management make operational decisions on behalf of the company shareholders for instance maximization of revenues and minimization of costs among other decisions. With this relationship, the principal engages the agent who acts and

makes decisions on behalf of the principal (Eisenhardt, 1989). This relationship works well when the agent is an expert at making the necessary decisions, but does not work well when the interests of the principal and agent differ substantially. In general, a contract is used to specify the terms of a principal – agent relationship. According to Eisenhardt (1989), Agency theory is directed at the ubiquitous agency relationship in which one party (the principal) delegates work or tasks to another party (the agent) who performs that work. Agency theory describes this type of relationship using the metaphor of a contract (Jensen & Meckling, 1976). Agency relationships are enacted in a broader social context for the adoption of policies about aligning incentives in order to discourage self-interested behaviour by managers and reducing agency costs. A number of studies have shown that procurement contributes about 60%-70% of an organization's expenditures. Following the operational nature of procurement expenditures, decisions must be taken by the organization's management (agents) on behalf of the company owners (principals) under the power entrusted to them through their employment contracts. The theory also answers two specific problems that is, the goals of the principal and agents are not in conflict (agency problem) and that the principal and agent reconcile different tolerances for risk. The principals and agents seek to maximize their utility from the same organizations. As the shareholders seek to maximize their wealth in form of profits (dividends) made by the company, management too seeks to maximize their utility by way of earnings. Also, because of the different roles of these two parties in the organization, the risk tolerance levels differ. As the shareholders' risk appetite levels are normally low because of the need to protect the value of their wealth, management normally tolerate higher risk; these are normally reconciled in order for the company to operate well. Procurement management is an essentially risky function that involves management decisions in optimally allocating the limited resources that are provided by the shareholders hence the need to minimize the involved risks so as us ensure competitiveness.

### 2.3. EMPIRICAL OF THE STUDY

Angela (2016) in Her study was to examine the practices in procurement and their effects to organizational performance of the University of Nairobi. The study based on the assumption that proper inventory management, procurement monitoring, procurement controls, procurement planning, as well as training of workforce can result to better organizational performance. Descriptive research design was followed. The target population of the study was the employees working at the department of procurement from which primary data was collected using structured questionnaire. Data analysis was done using descriptive and regression methods. The study established the University of Nairobi had adopted procurement practices to a moderate extent. It further found out that procurement planning and training workforce are important in influencing the organization's performance. The study concluded that application of the procurement practices in the organization is founded on proper planning and training workforce.

Oguntola (2017) examined the impact of procurement strategies in realization of organizational goals in Nigerian private University. The research was conducted through the use of self-administered questionnaire to obtain primary data. The target population was 281 senior staff members of Redeemer's University while the study population was the senior staff members in various committees and departments that are involved in procurement for the University. The study had sample size of 168. Purposive sampling technique was used to select respondents that are involved in procurement for the University for the Study. The data collected was analyzed using descriptive statistics and inferential statistics. Result of Linear regression analysis indicated that there is significant impact of effective negotiation in realization of organizational goals while the result of multiple regression showed that there is significant impact of total cost of ownership in realization of organizational goals. The study concluded that Redeemer's University organizational goals are realizable with the procurement strategies like procurement planning, effective negotiation and total cost of ownership.

Aladejebi & Adedeji (2015) investigated the effects of procurement planning on agricultural firms' performance in Ondo State, Nigeria. The research involved selected agricultural firms that major in processing and manufacturing sectors of agribusiness within two senatorial districts in Ondo State, Nigeria. The senatorial districts were Ondo Central and Ondo North respectively. One hundred and five questionnaires were administered among the staff thirty five selected agricultural firms within the study area. The method of data analysis adopted was descriptive statistics (mean and standard deviation). The findings revealed that most of the firms used as sample have a very weak functional Enterprise Resource Planning (ERP) system used in procurement activities. The study also showed all the identified challenges had severe effect on agricultural firms' performance. The study recommended

that agricultural firms should introduce the use of ERP system in managing their inventories, because it is a powerful tool for planning

Atego & Fridah (2015) The general objective of this study was to analyze the effects of public procurement processes on organization performance. The study used a proportion of 30% from each stratum to select 111 respondents. The study relied on primarily as well as secondary data. Primary data was collected through questionnaires to meet the objectives of the study. The questions were both open ended and closed ended. Secondary data was collected from relevant literature review, business magazines, journals, internet and other relevant material. Responses in the questionnaires were tabulated, coded and processed by the use of a computer statistical package for social science (S.P.S.S) version 20 to analyze the data descriptive statistics such as mean and standard deviation. Tables were used to present responses and facilitated comparison. The study revealed the impact of public procurement process on the organization performance. The research was limited to a public entity and thus the researcher recommends further study in the topic of public procurement process among the parastatals and analysis of the challenges experienced. The study showed a high correlation between stake holder integration and organizational performance as well as a high correlation between human resource skill level and organizational performance. It however showed a weak correlation between suppliers' management and organizational performance.

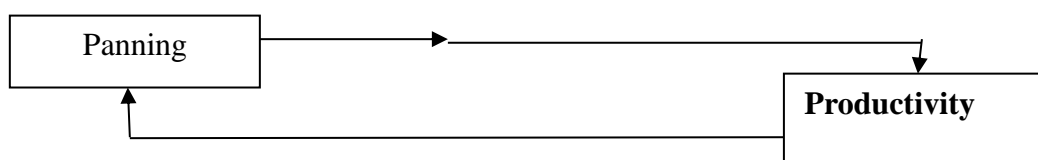
Githinji & Moronge,(2018) sought to find the influence of procurement methods on procurement performance in public hospitals in Kenya, using a case of KNH. The study used a descriptive survey research design with a target population of 6,000 employees and management at KNH. Further, this study adopted stratified sampling with a base sample size of 90 respondents. The study used structured questionnaires for collecting primary data from the respondents. SPSS together with Microsoft Excel were used for data analysis. The statistical parameters generated from the software were presented in tables and charts for easier interpretation. Multiple Linear Regression Analysis was used to estimate the relationship between the dependent and independent variables, and provided a means of objectivity in assessing the degree and nature of the relationship between the dependent and independent variables. The study established that only International Competitive Tender and National Competitive Tender variables had a positive and statistically significant influence on the dependent variable (Procurement Performance). Both Restricted Tender and Direct Procurement were statistically insignificant. Therefore, the study concluded that a combination of all these methods does not necessary result in better procurement performance.

## 2.4 Conceptual framework

The relationship between independent and dependent variables was showed in this framework. Procurement practice acts as the independent variable and it was measured using: procurement planning with the work of (Angela, 2016). The productivity of employee of the selected hospital will act as the dependent variable and it was measured using: sales Volume.

this is diagrammatically show in fig 2.1

### Procurement management



## METHODOLOGY

A cross-sectional survey research design was used in carrying out this study.

The population of this study was 10 registered Pharmacy in Akoko North East Local government in Ondo state, the total number of respondents are 20, two (2) respondents from each pharmacy, making 20 in total. The study uses all the population, because of the few respondents

Purposive sampling technique was used in selecting the sampled firms while simple random techniques were used to select the respondents. Primary source was broadly used to carry out the study. To provide answers to research objective, information gathered on all relevant variables were analyzed using descriptive (frequencies, percentage, mean, and standard deviation) and inferential (regression) statistics with the use of SPSS statistical packages version 23

#### 4.0 Data Analysis and Findings

Effect of Procurement Management on Employee Productivity of Some Selected Pharmacy in Akoko North East Local Government in Ondo State.

We have below the regression analysis of procurement management using procurement planning (PP) on employee productivity (EP)

Model	standardized coefficients		Standardized coefficients Beta		Sign	Collinearity statistics	
	B	Std Error				Tolerance	VIF
Constant	27.756 .379	1.443 .037	.463	19.231 10.359	.000 .000	1.602	1.602
Model Statistics							
R	.463						
R <sup>2</sup>	.214						
Adjusted R <sup>2</sup>	.212						
S. E of estimate	5.40522						
F- stat	17.305						
Sig (F stat)	0.000						
DW stat	1.404						

Source: Field Survey, 2023.  
 a. Dependent variable EP  
 Predictors: (Constant), PP.  
 PP= Procurement Planning

The inferential analysis (regression analysis) was used to test the hypothesis: effect of procurement management Planning on employee productivity among selected Pharmacy in Akoko North east, Ondo state, Nigeria. The analysis indicates the effect of procurement management Planning on employee productivity. The results revealed that the predictor variable was individually statistically significant to employee productivity among selected Pharmacy in Akoko North east, Ondo state, Nigeria. Procurement Planning explained 37.9% of the variance in the procurement planning of employee productivity. Procurement Planning as proxies of procurement management were individually statistically significant to employee productivity as indicated by its t value and p value shown in parenthesis: Planning (t = 10.359; P< 0.00) However, the overall effect of procurement Planning was significant (F= 17.305, p<0.00).

Essentially, multiple regression is a measure of naturally occurring scores on a number of predictor variables and establishes which set of the observed variables gives rise to the best prediction of the dependent variables. The R value of the model of this study was .469 while the R<sup>2</sup> was .214 which represented the simple correlation and therefore indicated a good degree of correlation. Adjusting to a degree of freedom, the model of this study could

still account for 21.2% of the variation in procurement management to employee productivity while 78.8% in procurement planning to employee productivity variations were accounted for by other variable not included in this study.

The regression assumptions were also checked by autocorrelation and multi-collinearity tests. The results of the Durbin Watson (DW) were satisfactory at 1.404 implying that in this model the residuals are not auto-correlated as the value is close to 2. The multi-collinearity of the variables in the model was verified by the Tolerance (Tol.) and the values were satisfactory. The Tolerance values were 1.602 which are far above 0.1 the worrying level and the Variance Inflation Factor (VIF) values 1.602 were also lower than the worrying level of 10 and above indicating that there were no multi-collinearity problems among the independent variables in the data.

## 5.0 SUMMARY, CONCLUSION AND RECOMMENDATION

This study examined the effect of procurement management on employee productivity of some selected pharmacy in Akoko North East of Ondo state, Nigeria. To achieve this, eighty (20) copies of a set of structured questionnaires were administered to respondents who were employees of the selected pharmacy in the study Area. After a systematic analysis of the data in accordance with the research objective and hypothesis, this study revealed that procurement Management had contributed positively and significantly to employee productivity of the selected pharmacy in Akoko north East, Ondo state, Niigeria.

The results revealed that procurement management Planning had significant effect on employee productivity in some Selected pharmacy in akoko north east local government area, onod state, Ondo State. Using regression analysis, the results revealed that there was significant relationship among the procurement management, using procurement management Planning as a variable to measured procurement management and employee productivity ( $F= 17.305$ ;  $p < 0.005$ ).

Based on the findings and conclusion of this study, the study recommends that organization should planned their procurement system very well so that they will not always be out of stock, will affect the performance and productivity of the employees and organization at large.

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