

WOLKITE UNIVERSTY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MANAGEMENT



**ASSESSMENT OF PURCHASING PRACTICE THE CASE OF
WOLKITE UNIVERSITY SPECIALIZED HOSPITAL**

**A RESEARCH PAPER SUBMITTED TO THE DEPARTMENT OF
MANAGEMENT IN PARTIAL FULFILLMENT OF THE
REQUIREMENT FOR THE AWARD OF BA DEGREE IN
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Abstract

This study was conducted in Wolkite University generalized Hospital that found In Gubre sub city. The study used both primary and secondary sources of data. The researcher also used tools of data collection like interview and questionnaires. The method of data analysis conducted in this research paper was including both qualitative and quantitative data analysis.

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CHAPTER ONE

INTRODUCTION

1.1 background of the study

Purchasing is the functions of buying machinery, tools, general supplies, raw materials in order to fulfill customer requirement and organizational needs to achieve the desired levels of the objectives. (Donald w. Dobbler and Burt, 1996)

Purchasing is the process of acquiring goods and services to be used in production process at the right time, with the right quality, with the right quantity by the right price, from the right suppliers, with the desired levels of service and at the right place. (Parson, 2019)

Every organization both in public and private sectors are in varying degree depend on the materials and service provided or supplied by other organization; therefore, purchasing is one of the basic and common function of every organization to be achieved the desired levels of success and objectives effectively and efficiently as per- established frame work of the organization.(ibid)

Purchasing implies the act of exchanging of goods and services for many, whereas procurement is a generic term with ware housing for the responsibility of acquiring goods and services.

In general purchasing refers to the actual buying of material whereas procurement has abroad meaning and can include purchasing, contracting, inspecting, material handling, transportation, ware housing, and receiving goods and supplies (Nair, 2019).

The primary motivation of the researcher to do a research on this area is:

To understand and improve the effectiveness of purchasing practices at Wolkite University Specialized Hospital and assess their direct impact on service delivery.

This motivation likely stems from:

Observed challenges and inefficiencies in the hospital's purchasing process, such as delays, inadequate supplier selection, and poor delivery timelines, which negatively affect service delivery.

A desire to contribute solutions that enhance operational efficiency and support better healthcare outcomes.

Personal academic growth, as the study helps the researcher gain practical experience in conducting research and solving real-world management issues.

Institutional benefit, aiming to offer actionable recommendations to hospital management for improving procurement practices.

1.2 Background of Wolkite University Generalized Hospital

Wolkite university generalized hospita is one of health center found in gubre sub city . It was started construction in 2003 E.C and started giving service in 2011. The main reason of its establishment was to provide health service for people surrounding wolkite .

Mission

By collaborating with all concerned body provide service for all community such as:

- Developing health status of the community
- Preventing and curing of disease by collaboration of all concerned body and providing quality service to community to minimize disease, disability, death and improve community life

Core value

1. Community first
2. Collaboration
3. Commitment
4. Trust
5. Education
6. Abide for code of ethics

1.3 Statement of the problem

Purchasing is currently, an effective and efficient means of achieving successful competitiveness of today's business environment. Purchasing is an integrate part of any business and non- business organization. That is the life blood of any organization. Furthermore, the benefits of implementing purchasing activities had been widely recognized by many competitive organizations. So without the purchasing activities no any organization can exist. (Dobler, 1998).

Despite the fact that purchasing contributes wide variety of significance for the organization, if effective and planned manner was not implemented, it has some consequence on the organization such as, interruption of production, dissatisfaction of customers, and shift of customers to the competitors and etc. which directly- leads to the stop page of the operation in the case of organization.

This study was intended to clearly identify the causes of inefficient purchasing, assessed the consequences and tries to recommend possible solution.

1.4 Research questions.

1. What look like the current purchasing practice of wolkite university generalized hospital?
2. What are the major factors affecting the effectiveness of the purchasing practice in the hospital?
3. What types of purchasing systems procedure and principle are used in the hospital?

1.5 Objective of the study

1.5.1 General Objectives

A general objective of this study is to assess the practice of purchasing practice and its impact on service delivery the case of wolkite university generalized hospital.

1.5.2 Specific objectives

In addition to general objective, this study has the following specific objectives:-

- To assess the purchasing practice in the case of wolkite university specialized hospital
- To assess the major factors affecting the effectiveness of purchasing practice in wolkite university specialized hospital
- To assess the types of purchasing system, procedures and principles used in this hospital

1.6 Significance of the study

After accomplishment, this research would have great significance for the researcher and organization. For the organization it contributes to identify the major influences that affect purchasing practice. It creates awareness for the researcher about the way of conducting research to arrive at something useful for the people around, it develop their experience for future study. It helps to discover about the problem resulted from purchasing activities and also help the organization to know the purchasing

activities for effective production, for the coming researcher it helps to prepare their own research so as to discover something new to study further.

Finally, the study provides very important contribution for the researcher to develop his ability in problem identification and giving probable and feasible solution for the problem.

1.7 Scope of the study

The scope of the study is limited on the area of purchasing activities in the case of wolkite university generalized hospital due to the time and financial constraints as well as lack of the experience of the researcher before now. So the findings of this study represent the situation of this hospital. This means the findings cannot be generalized to other hospitals

1.8 Limitation of the study

When under taking of the study, there were many problems that had been encountered/ faced. While investigating and collecting data most of the respondents were unwilling to respond the questions, to give enough information and also the manager was so busy. In addition to this, shortage of time and lack of finance are other problems to the study. Furthermore, lack of skill, lack of experience in research activity and lack of research tools also had been the limitation to the study

1.9 organization of the paper

The paper will have five chapters. The first chapter will briefly outline the introduction part which mainly contains background of the study, background of the organization, statement of the problem, objectives of the study, scope, significance as well as organization of the paper. The second chapter will deal with review of related literature. The third chapter presents that data design and methodology. The fourth chapter will presents data analysis and data interpretation. Final chapter presents conclusion and recommendations.

CHAPTER TWO

REVIEW RELATED LITERATURE

2.1, purchasing definition

Purchasing refers to a function in business where by the enterprise obtain the inputs for what are produces as well as other goods and services if required. Purchasing is one of the basic function common to all type of enterprise. These functions are basic, because no business can operate without them (Dobbler,1996). The main objective of purchasing are:-

1. To maintain the quality and value of company product
2. To minimize cash tied up in inventory
3. Strengthening the organization competitive position. Purchasing may also involve
 - a. Development review of the product specification
 - b. Receipt and processing of requisitions
 - c. Advertise for bid
 - d. Evaluation
 - e. Award of supply contracts
 - f. Inspection of goods received and
 - g. Their appropriate storage and release (www.business dictionary.com2004).

Purchasing is a question of goods and services in exchange for something of value, its materials. Management function concerned with process of buying the right type of material at the right price and time. It is essential to all organization manufacturing, non-manufacturing, profit making, nonprofit making and government. Its responsibility to obtain purchased materials and services in the required quantity at minimum total cost. (IBID).

In narrow sense the term purchasing simply describe the process of buying, however, in abroad sense, the term involves determining the need, selecting the supplier at proper price, terms and conditions, issuing the contractor order and following up to ensure proper delivery.(Nair,2003).

2.2. Type of purchasing approaches related to volume and buying

The procurement executive must make a fundamental policy decision concerning the volume and timing of purchase for certain major materials. The buyer can choose one of the following alternatives.

1. Hand to mouth buying

It is the practice of buying materials to satisfy current operating requirement in quantity smaller than those normally considered economical buying. Hand to mouth buying:-

- There is no contract between the supplier and the buying economy
- There is no single specified supplier etc.

There are a number of reasons for applying a hand to mouth buying policy

- If material requirements can be fulfilled from local or nearby markets.
- If prices are stable and quantity discount are not available
- In case of shortage of working capital or shortage space
- If forecast reveals a decline in the price of materials
- When the products are in the process of redesigning with the result that its materials needs may change (Westing,2008).

Some disadvantage of hand to mouth buying are:-

- Danger of running out of stock

- Production shutdown
- High ordering cost

2. Marketing purchasing

It is buying raw materials at a time when market prices are the lowest for them and there is a high probability of an upward saving in prices in the future. This policy pursued for commodities of seasonal nature like Cotton, wheat, hides etc. the price of such materials varies from time to time this may be because of:-

- Weather condition
 - Action of speculators
 - Political factor
 - Other unpredictable factor etc.
- (Dobler,1996).

3. Opened blanket purchasing

The company notifies the supplier regarding quantity requirements and delivery schedules from time to time. In this buying approach, there exists an established relationship and contract between the company and supplier and this is the difference of blanket and hand to mouth purchasing. Blanket purchasing has the following advantages:-

1. It eliminates the need for frequent searching for supplier, negotiating and ordering.
2. It minimizes the need for storing inventories and thus results in reduction of caring costs.
 - It ensure continuing and reliable source of supply under this blanket purchasing.
 - It is applicable for materials that are purchased repetitively.
 - The contract between buyer and supplier is at once but delivery is from time to time.
 - The price depends or based on market condition(Leenders,2002)

4. Purchasing on long term contracts an ever green contract

It is pursued in the case of materials which are needed in substantial quantities and on continuous basis. The company gives a long term contract to deliver materials periodically at agreed price (parson,2006).

5. Hedging

It is buying now for deliver at a future date. Thus, a firm anticipating a price rise may buy a given quantity of material of a specified quality and at a contracted price for delivery in a future times.

Hedging is a way not only to reduce the force of fluctuation but also in some cases to ensure supply (Alijan,2006).

6. Speculative buying

It involves purchasing in excess of normal requirements with the intention of profiting on price movement. This kind of purchasing is not pursued by manufacturing concerns. Because a manufacturing company in business is to profit from the production and distribution service offered to its customers, not from speculation in the materials market (Gopala,1990).

7. Forward buying

- It is a policy of buying between the two extremes i.e. hand to mouth and speculative buying.
- It includes all purchases for contingency reserves but it excludes all types of speculative buying as its objectives are a profit from price application.
- It is buying policy carried out to keep plant operation.
- It differs from speculative purchasing since it is purchased in advance for keeping plant operating, whereas the speculative purchase is a purchase in advance for generating profit from the escalation of price of the product (Dobler,1996).

Objectives of forward buying

1. To provide an align or damaging of insurance against interrupted operation.
2. To buy in large enough quantities to earn quantity discount.
3. To protect a company against a risk of perspective materials shortage.
4. To ensure materials designed quantity when they are needed.

2.3, Objectives of purchasing

The objectives of purchasing can be viewed from three levels

- A very general managerial level

- A more specific functional or operational level and
- A detailed at which prices strategic buying plan are formulated.

From top managerial perspective

The general objective have traditionally been experienced as the five rights which management expects the department to achieve the acquisition material (Nair,2003).

1. **Right quality:** is defined as simply fitness for purpose. British institution defines” the totality of feature and characteristics of production as service that bear units. Ability to satisfy a given need (Nair,2000).
2. **Right quantity:** the right quantity is more relevant to the purchase of consumable parts or assembles for manufacturing than for project buying fulfilling this objectives will enables.
 - To provide a continues and uninterrupted materials at the minimum cost, in most organization the decision of how much for purchase is more important by close relationship of purchase quantity and schedule use (Nair,2003).
3. **At the right time:** purchase must make available material at the right time. Such that when materials are requires, materials that would be available before the organization required them. This involve costs such as carrying cost, deterioration costs and obsolescence costs (DavidN.Burt,1996).
4. **At the right price:** a traditional purchasing objective common practice is to obtain the best least cycle price or the lowest total costs. The factors that affect the price of items are quality and quantity required.
5. **From the right supplier:** is a supplier which will meet requirements (Criteria) of the organization or the purchaser criteria that usually set with regard to quality, quantity, delivery, made prices reliability etc. In other words, those suppliers which meets requirements better than other suppliers (Donald W. dobbler,1996).

From functional cooperation level objectives

When one looks at purchasing objectives from an operating perspective, it is necessary to go more deploy to develop asset of statement that provide practical and use for decision making purpose; the basic objectives are the following (Dobler,2003).

To support company operation with uninterrupted materials and services. This is the most fundamental of all purchasing and supply objectives. To buy competitively involves keeping abreast of the process of supply and demand that regulates price and availability, of materials in market.

To buy wisely, buying wisely involves a continual search

For better values that yields the best combination of quality services and price relative to the buyers needs with suppliers capabilities, perhaps through the use of cross functional design teams.

- To achieve operational value considering both issues
- To keep inventory investments and inventory loses as a practical minimum, also maintain a large inventory is one way to achieve supplier that are willing to work with buyer to help solve the buying firms problems and to minimum its materials related costs are an in valuable resource.

From the detail level objectives

At this level, precise strongly buying plan are formulated, the focus is on the detailed objectives that are developed when precise buying plan are made for each of the major categories of materials the firms use in its operation. These objectives are generally from the functional level objective discussed, and are applied to fulfill the specific needs associated with each types of purchase (ibid).

2.4, The role of purchasing activity

The production process converts materials into finished products desired by customers. The efficiency of production function significantly depends on the timely availability by the right kinds of materials, components, parts, suppliers, tools, etc. purchasing concerned with the procurement of the right price, time and place. Demand for major raw materials, and components and their timing are estimate on the basis of production programmers and schedules. For all other materials and suppliers demand for procurement is originated through requisition from store department, production control department and other user department. Purchasing is responsible for procuring all these materials and supplies for the organization. In doing so, it acts as an interface between the companies and its numerous venders. The purchaser represents his company as customers and as such is susceptible to the marketing strategies of its supplies. The importance of purchasing activities can be understood from the fact that it is responsible for sending the largest portion of a company's budget. Nearly that of the total sales

revenue flow back into the market through the purchasing system. Since purchased materials, components and supplies often constitute more than the half of the cost of production, there is vast scope of cost savings through effective purchasing activity. This is why purchasing department are regarded “profit center. (Hopalar Krishnan p.1990)

As already emphasized all organization requires suppliers of material and service from outside source. Therefore purchasing and procurement are common function in almost all organization. Purchasing implies the act of exchanging of goods and services for many, whereas procurement is a generic term with a ware housing for the total responsibility of acquiring goods and services. procurement is the 1st real step in the flow of resources through an organization and forms an important link between supplies and operations, in general purchasing refers to the actual buying of materials which procurement has a broader meaning and includes purchasing, contracting expediting, material handling, transport, ware housing and receiving goods from suppliers.(Nair,2003)

It must be born in mind that, however, that purchasing is not end in itself; materials and supplies are purchased or produced to use in other departments and purchasing department roles is to satisfy their need within the frame work of organizational policy, Procedure and objective is primarily service function through modern concept. its roles should be to co-ordinate one with other phases of the materials management operation so as to best serve the common goal. Purchasing activity is deeply involved in the management of material flow right from the outside source down to production through the inventory pipeline. Basically the purchasing authority is conferred authority, along with a delegation of responsibility. The general principle is that authority should be commensurate with responsibility. both these criteria are appraised and decided by the management as through appropriate to the functional responsibility, purchasing department rarely has any difficulty in exercising its authority and increasing its scope of responsibility in serving other facts of materials management. Thus, constant liaison with production, engineering, store, inspection, quality control, inventory control, traffic, distribution. Sales and accounting are all important features of this service aspect (Dobler and David N.Burt,2003).

Purchasing is science and an art. It is a science because of certain basic principles of purchasing. The application of that principle when put into practice makes the art of purchasing an interesting job. Every purchaser should, therefore, acquaint himself with this basic principle and apply them to his job. Thus purchasing, industrial purchasing in particular has emerged as highly important function

demanding high analytical ability intelligence and business men. It is no longer considered a clerical activity consisting of receiving requisition, consulting catalogues, and selecting suppliers after price negotiation. It requires initiative ability to get along with people and require skill of different kind of demanding knowledge of many kinds and above all honesty and integrity. By its very nature, purchasing is an internal activity of any business in respective of its type, size, or nature. Scale of operation size and nature of its activities may differ from one organization to another and also related problems may vary (A.K.Datza, purchasing and material management).

In any cases, the purchasing function is usually performed most effectively and efficiently by a centralized unit made up of buying specialist who at time may work in conjunction with comprehensive cross functional team of specialist (Donald W.dobler,1996).

2.5, Procedure of purchasing

A procedure outlines in details the specific action to be taken to accomplish a given task within the guidelines of any applicable policies. In short it establishes the way of doing things.

The procedures of procurement and the documents they utilize serve two fundamental within a firm. They provide the frame work and the direction for accomplishing of the supply and materials management effectively and efficiently. They provide the means for processing information inputs from side of the departments to produce output communication needed in individuals; another department to do their jobs in a coordinated and timely manner.

Purchasing management requires a wide range of standard procedures to deal with the normal daily tasks. The procedures involves a series of steps in acquiring products, services and equipment's. some of the procedures are discussed below. (Donald, W. Dobler, David Burt,1996)

1. Recognize, define and describe the need: the need for purchase typically originates in one of the firms operation departments of its inventory control section. The purchasing department is usually notified of the need by one of two basic methods. A standards purchasing requisition or material requirements planning (MRP) schedule
2. Supplier selection and preparation of purchase order:- as soon as need has been established and precisely described, the buyer begins an investigation of market to identify potential source of supply. In the case of routine items for which supplier relations have already been developed. Little additional investigation may require to select a good source. After qualifying a

preliminary group of potential sources, the buyer may employ the techniques of competitive bidding or negotiations.

3. Vendor analysis: the suppliers are evaluated on criteria set of evaluation. Since analysis or bids and selection of suppliers are matters of judgment it heads to placement of purchase order.
4. Contract on purchase order after the selection of suppliers, the suppliers required to fulfill certain obligations on the supply of materials, the supplier make contract or agreements with the purchasing. It is during these time that supplier require to deposit bond. The purchaser place purchase order to the supplier, the purchase order consists several copies based on its distribution in the company. In short the order should include data required to ensure satisfactory contract and it should be ordered in a manner which has little room for interpretation by either party.
5. Follow up and expediting: after purchase orders have been made, the purchases may not need to wait until the order items are delivered, the purchaser follows up in order to ensure that the supplier will send the materials on or before the agree delivery date or its purchase expedites. the supplier send the material before the agreed date on some circumstances. After the purchase order issues to the supplier, the buyer may wish to follow up and expedite the order. As the order is issued, an appropriate follow up date indicated. In some firms, purchasing has full time follow up and expediting personal.
6. Receipt and inspection of Good: the proper receipt of materials and items is vital important. many organizations have as result of experiences centralized all receiving under one department. The chief exceptions being large organization, multiple rates receiving is so closely related to purchasing that in many organizations. the receiving department is directly or indirectly responsible to purchasing department. In firm where just in time inventory management systems have been implemented materials from certified suppliers or suppliers partners by pass receiving and inspection entirely and delivered to the point of use (Michiel leaders, Harald fear on, 1997).

When there is a reasonable chance that the supplier may not stay on scheduled, important orders with unethical delivery date should receive active follow up attention. At the time such orders are placed, the buyer should determine specific most companies which operate several establishments adopt some compromise between buying thing locally.

Aiming to balance the advantage of strength with those of flexibility. Basically there are three ways of organization of purchasing. (Peter, Bail, David former, 1994)

In short, a purchasing department buys many different types of transaction normally vary among different types of purchase.

Generally, the following steps constitutes the typical purchasing cycle.

1. Recognition of need
2. Description of need
3. Determination and analysis of possible source of supply
4. Determination of price and terms
5. Preparation and placement of purchase order
6. Follow up and expediting
7. Receipt and inspection of goods
8. Clearing the invoice and paying the supplier
9. Maintenance of records and relationship

2.6, purchasing policy

Purchasing policies are general statement or under taking which guide and channel thinking and action in carrying any purchasing transactions and objectives in an operational manner. It is statement that describes in very general form intended course of action. purchasing policies have different characteristics:-

- Policies limit an area in which decision is to be made and assure that the decision will be consistent and contribute to objective.
- Policies tends to produce issues avoid respected analysis and give qualified structure to other types of plans. Those permitting managers to delegate authority which maintain control.
- Clarify and improve relationship with other functions.
- Training new person and communicating approved practice.
- Promotes suppliers understanding and cooperation.
- Fulfill management and government requirement.
- Provide standards by evaluating functions

- Evaluate and improve purchasing function (Dobler, 1996)

The purchasing department is responsible to establish administrative purchasing policies, institute report necessary to permit analysis of purchasing performance, negotiate and approve terms of controls and coordinating purchasing procedures.(dobler,1996).

Generally, there are two types of purchasing policies these are;- centralization and decentralization.

Centralization: means that the requirement of any department of a plant or different units of the same company associated companies of the same group will be purchased by a single purchase department.

Decentralization: it provides the authority of purchase to the lower unit in order to purchase their own materials. In decentralization purchasing, the power is delegated to sub group or subordinates, the power is not centralized within one party. (Nair,2003).

2.7, purchasing principles

The essential of efficient purchasing are right quality, right quantity, right time, right price, right source, and deliver at the right place, this are describe briefly as the following (Nair N.K, 2003).

Right quality

It is the suitability of an item for a given purpose. The best quality needs not be the right quality because it is different among different person. The quality is dimensional limits, composition performance and durability and etc. (Nair N.K 2003).

Right quantity

In the case of requiring items right quantity is the quantity that may purchase at time within minimum total cost and storage. If the quantity is large the price is lower, the inventory carrying cost goes up (Nair,2003).

Right time

The time when stock reaches minimum level. The stock control send recall payment requisition sufficiently in time for the purchase section. It will avoid delay in finalizing the order, It will indicate the delivery date by efficient follow up action (Nair, 2003).

Right source

The right source should possess the necessary financial resources, the organization to handle the commitment including procurement of raw materials which may be difficult to obtain and technical ability to supply the required quantity and quality of goods at a satisfactory price as far as possible, the firm should be located with few miles of buyers plan. This will avoid delivery delay and high transportation charges, (Nair,2003).

Right price

Right price is the one which brings best ultimate value. The price should be determined in combination with other factor such as; quality life, delivery time, and delivery service etc. the factors which affect the price are quality and quantity required, urgency of requirement. Demand and supply of materials in the market whether the requirements are repetitive or not (Nair,N.K.2003).

Right service

Right service is total of additional values that the suppliers provide to buyer before and after the sales of goods or service (Nair,2003).

2.8, The relationship of purchasing with other department

Purchasing department is the hub of a large part of a company's business activity. It has continuing relationship with all other departments in the firm, as well as with the firms suppliers. The following are the internal interface of the purchasing functions.

Purchasing and production

The purchasing production /operation/ relationship be gains when the using production department transmits its manufacturing schedules or materials requirements to the purchasing department. purchasing subsequently translates these documents into a procurement schedule or programs. If purchasing is not given sufficient time or has in adequate time to properly qualify suppliers to develop competition, or to negotiate properly, premium price are certain to be paid for materials. In addition to this, insufficient lead time and the following problems may result in:-

Costly special production runs and premium transportation cost shutdown production. On the other hand, the several consequences of a production to page may cause production managers to advocate an

excessively large inventory of production materials. This cause ties up of capitals that may be used for other investment. Generally, seeking the relationship between the purchasing and production departments helps.

- Preparation of materials schedules to meet just in time requirements.
- Ensuring that delivery schedules are maintained
- Make or buy decision
- Supplier development and etc.

Purchasing and marketing

All business recognizes the direct relationship between the marketing function and profit. But profit is affected if purchasing and production are not meshed with the sales activity. The purchasing sales cycles determined based on a sale forecast. The purchasing and marketing relationship have the following advantage for an organization.

- Provision of sales forecast on which purchasing can base its forward planning of materials, components and etc.
- Ensuring that by efficient buying, purchasing constitutes to the maintenance of competitive price.
- Exchanges of information regarding to customer and suppliers
- Marketing implication of partnership sourcing and production to meet promised delivery data.
- Liaison with respect to reciprocal trading (Leenders,2008).

Purchasing and engineering

Design engineering, like production, greatly influences the amount of time purchasing has to handle a procurement assignment. engineering has usually the initial responsibility for preparing the technical specification for a company's products and the materials that go into the firm. To exercise this responsibility effectively, engineering must have the constant help of purchasing and operations productions. The coordination of purchasing and engineering department help to handle the following activities effectively.

- Preparation of specification for purchased materials and components

- Quality assurance or defect prevention
- Information to design departments regarding availability of suppliers and cost.
- Agreements of alternatives when specified materials are not available.
- Issues arising from the increasing importance of buying rather than marketing
- Importance of buying complete systems rather than individual components
- Evaluation of cheaper alternative materials (Doblerand David N.Hurt, 1996).

Purchasing and finance

Purchasing relationship with finance is different from its relationship with both sales and production. The different stems from the fact that cost determination cannot be hidden in the purchasing finance relationship as they can often in the other relationship. Accurate sales forecasts and accurate purchasing schedule are among the basic data that are needed by an organization for preparation of the plan of its working capital and cash flow positions. To conclude, the integration of these two can able to achieve the following objective:-

- Budget preparation since the limiting factor “for sales and production budget is sometimes the availability of materials.
- Providing information in which standard materials cost can be computed and notifying variances.
- Preparation of cost data for use in negotiation with suppliers.
- Forward buying of goods and currencies
- Certifying invoice for payment
- Certifying progress payment
- Reduction of administrative cost per purchase transaction by reduction or elimination of paper works. E.g. dispensing with purchase order forms etc. (Nair,1990).

Purchasing challenges and problems

The purchasing practice could be obstructed by the following situation:-

- Weak supplier or brand section: specifications are worked out indirectly by users i.e. a technical specification and written one specific suppliers. The use of particular brand or

suppliers specification seriously limits the buyers commercial attitude(in terms of negotiation) with the supplier, who in most cases well aware of the section of his product and recognizing the technical expertise of the supplier, may easily lead to situation where supplier selected cannot meet quality requirement of the company. (Dobler and David N.Burt,1996).

- Inadequate supplier selection: selection of supplier is one of the most important decision in purchasing process particularly if the product delivered may require years maintenance of service. Failure to check the supplier (bank) reference can produce very unpleasant surprise such as un expected bankruptcy, unwillingness to keep warranty obligation, inability to meet quality requirements. A purchase order with purchase member.
- Less personal relationship: purchase order is place with whom the users are friendly relationship. So suppliers may fall to accept the order during the time urgent needs if the user (purchase) has no long relationship.
- Lack of good contractual agreement: contracts when available are stated in general terms they are not complete and have not passed legal surrounding and clear description of the product. supplier may be missing and the contract may differed by the supplier own element and condition. (Dobler and David N.Burt,1996).
- Poor administrative process: in some case the supplier may have actually made the delivery and how the purchasing department is requested by the user to produce, so that payment can be made and invoices are paid without matching the proper purchase order and delivery document. But sound administrative significant saving.
- Delivery problem: at the stages of delivery problems occur, supplier deliver too late. Deliveries are not complete, products are damaged or do not meet the quality required, packing is unsound, information levels cannot be read by barcode system. Generally, many more factors affecting the purchasing practice. (ibid).

CHAPTER THREE

3. RESEARCH DESIGN AND METHODOLOGY

3.1. Research design

Based on the purpose of the research there are three types of research design. These are exploratory, descriptive and explanatory research studies. Among those the intention of the researcher was to collect the existing facts on the purchasing activities and its problems, and describe them as they were in the existing circumstance; therefore, the researcher planned to use descriptive type of research design for this study because this design would help to describe and analyze the data and proposes the alternative ideas based on the results of the study.

3.2. Sources of data

There are two types of data sources that the researcher used. These are primary and secondary data sources. Primary data is data which is gathered by the researcher himself for the first time. These data are obtained for the reliability of the research output. Because it helps the researcher to generate clear, accurate, reliable and more detailed understanding of the problem. While secondary data would be collected by somebody else and also gathered from published and unpublished books, company manual and related journal. It would be used to support and coordinate primary data in appropriate manner.

3.3. Sampling method

Population means the people living in a particular area or working in a particular organization or it is theoretically specified aggregation of survey elements from which the survey sample is actually selected. The total population of the organization is 75. Among this the researcher took a sample of 43 using a sampling formula with confidence level of 90% and an error margin of 10%.

$$n = \frac{N}{1 + N(e)^2}$$
$$n = \frac{75}{1 + 75(0.1)^2} = 43$$

3.4. Method of data collection

There are different methods or tools of data collection for instance interviews, observation, questionnaires, books, journals, etc. But for this research, the researcher used both close ended and open ended questionnaire and interview for collecting data for this research work. For open ended questionnaires, the respondents were asked to support their own judgments and for the close ended, the respondents were asked to select their own responses from list of provided questions alternative as well as interview question by face to face contact to respondents.

3.5. Method of data analysis

The study was analysed by using table and percentage.

CHAPTER FOUR

DATA ANALYSIS PRESENTATION AND INTERPRETATION

4.1 Demographic characteristics of respondents

This includes respondents' sex, age, and level of education. This helps to understand that from which age group sex category and level of education the data are obtained.

Table 4.1: demographic characteristic of respondents

Measurements		Frequency	Percentage
Sex	Male	28	65.1%
	Female	15	34.9%
	Total	43	100%
Age	18-25	10	23.8%
	26-35	18	42.8%
	36-45	12	28.6%
	46 and above	3	4.8%
	Total	43	100%
Educational level	10 and 12 completed		
	Diploma	18	41.8%
	Degree	20	46.6%
	Masters and above	5	11.6
	Total	43	100%

Source: computed from survey data, February 2025

Concerning the sex structuring in above table, out of 43 respondents, 65.1% of the respondents were male and 34.9% of the respondents were females. The majority of respondents profile indicates in academic work unit of the organization are male and the number of females is small. This indicates that the organization is dominated by males.

According to the above table 4.1, 41.8% of the respondents were between 26-35 age and 27.9% of them were between 36-45 ages, 23.4% of the respondents also between 18-25 and 6.9% of them were

above 46 ages. This implies that most of the respondent's age is 26-35 in this organization. This means the employees of academic work units are youngest.

As it can be understood in the above table 4.1, education level of respondents none of them are 10 and 12 completed, 46.6% were 1st degree holders and 41.8%, 11.6% of the respondents were diploma holders and master and above respectively. This indicates that majority of respondents work within this organization are degree holders.

Table 4.2: work experience of respondents

Year of experience	Number of respondents	Percentage
0-2 years	4	9.31%
2-4 years	9	20.93%
4-7 years	12	27.9%
Above 7 years	18	41.86%
Total	43	100%

Source: computed from survey data, February 2025

According to the above table 41.86%, 27.9%, 20.93%, 9.31% have a work experience of above 7 years, 4-7 years, 2-4 years and 0-2 years respectively. This shows that most of respondents stay with this organization and acquire more experience. For this reason academic unit of employers are familiar with the organization environment and they perform their work properly.

Table 4.3: marital status of respondents

Marital status	Number of respondents	Percentage
Single	15	34.88%
Married	28	65.12%
Divorced	-	-
Total	43	100%

Source: computed from survey data, February 2025

As it can be seen clearly the above table out of 43 respondents 34.88% are single, 65.12% of them are married and none of respondents are divorced. This indicates that most of the employees in academic and administrative work unit of the organization were married.

Table 4.4: The problem of purchasing activities

Question	Option	No of respondents	Percentage
Do you encounter any problems of purchasing activities?	Yes	34	79.06%
	No	9	20.94%
	Total	43	100%

Source: computed from survey data, February 2025

The above table shows that 79.06% of the respondents agree that encountered problems of purchasing activities whereas, 20.94% of the respondents have not experienced any incidence and results from problem of purchasing activities.

This indicates the majority of respondents encountered the incidence of the problem of poor materials and the purchasing process waiting for a long period of time and also it requires along procedures and knowledge of personnel.

Table 4.5; Respondent's perception of the time factor to processing materials requirement

Question	Option	No of respondent	In percentage
Do you get the materials at required time? If your response is 'no' what are the reasons	Yes	8	18.60%
	No	35	81.40%
	Total	43	100%

Source: computed from survey data, February 2025

As shown in the above table, 18.60 % (8) of the respondents believe that the required material arrive on time but, 81.40% (35) respondents believe that the required materials do not arrive on time. This implies that the materials of the organization do not delivered at the required time because of the following reasons:-

- The longer purchasing process

- Higher delivery cost incurred
- Unreliability of supplier
- Long time purchase and
- After process to item purchased

Table 4. 6:Current purchasing performance of the hospital

Question	Option	No of respondent	In percentage
How you express the current purchasing performance of the hospital?	Excellent	-	-
	Very good		
	Good	20	46.52%
	Poor	23	53.48%
	Very poor		
	Total	43	100%

Source: computed from survey data, February 2025

As depicted in the table 4.6, 53.48% of respondent said that purchasing performance of the hospital is poor and 43.52% of respondent agrees the purchasing performance of the hospital is good. This implies that the purchasing performance of the hospital is not satisfactory. This has the implication that the purchasing performance in the hospital should have to be revised.

Table 4.7: Purchasing policy

Question	Option	No of respondent	In percentage
What type of purchasing policy your organization applied	Centralize	8	18.62
	Decentralize	21	48.83
	Both	14	32.55%
	Total	43	100%

Source: computed from survey data, February 2025

As it is indicated in the above table 48.83% of the respondents replied that purchasing policy of this hospital is decentralized where as 18.62% centralized, 32.55% of respondents said combination of both. Generally, this organization applied decentralized system of purchasing policy mostly.

Table 4.8: The applicability of principles and standard of purchasing activities

Question	Option	No of respondent	In percentage
How do you think the applicability of principles and standards of purchasing activities in the hospital?	Highly applicable	18	41.86%
	Moderately	25	58.14%
	Applicable	-	-
	Poorly applicable	-	-
	Not applied at all	-	-
	Total	43	100%

Source: computed from survey data, February 2025

As it is understood from the table 4.8, 58.14% of respondents said that organization moderately applies the principles and standards of purchasing whereas 41.86% of the respondents said highly applicable and others are none. Therefore, the principles and standards of purchasing are applicable in the organization at all.

Table 4.9: Factors that affect effectiveness of purchasing activities

Question	Option	No of respondent	In percentage
What are the major factors that affect effectiveness of purchasing activities?	Lack of adequate supplier selection	28	65.11%
	Less personal relationship	7	16.27%
	Lack of good contractual agreement	-	-
	Poor administrative process	-	-
	Lack of on time delivery	8	18.6%
	Total	43	100%

Source: computed from survey data, February 2025

The data in the above table shows, lack of adequate supplier selections, lack of on time delivery and less personal relationship are the factors that affect the effectiveness of purchasing activity as the following percent respectively, 65.11%, 18.6% ,16.27%, and others are none . So, as I understand from this, the lack of adequate supplier selection is the most factors that affect the effectiveness of the purchasing activities in this organization when compared with the others.

Table 4. 10 The relation between purchasing department and other departments.

Question	Option	No of respondent	In percentage
What look like the relationship between purchasing department and others	Excellent	7	16.27%
	Very good	22	51.16%
	Good	14	32.56%
	Poor	-	-
	Total	43	100%

Source: computed from survey data, February 2025

The above table reflected that 51.16% of the respondents agree that relationship of purchasing department with other department is very good. The respondents replied that 32.56% and 16.27% of the respondent's relationship is good and excellent respectively and there is no respondents replied poor relationship. This indicates that there is smooth integration between purchasing and other departments. This is mainly indicated other departments are actively involved.

Table 4.11. The capacity to purchase required materials

Question	Option	No of respondent	In percentage
Do you think that your organization fully utilize the capacity to purchasing the required materials	Yes	18	41.86%
	No	25	58.14%
	Total	43	100%

Source: computed from survey data, February 2025

As it is shown in the above table, 25(58.14%) of the respondents answered “no” whereas 18(41.86%) respondents replied ‘yes’. From this we can understand that the majority of the respondents said that the organization does not fully utilize the capacity to purchase the required materials. So this organization does not fully utilize the capacity to purchase the required materials.

Table 4. 12: The purchasing procedures

Question	Option	No of respondent	In percentage
Do you follow the purchasing procedure when you procure/ purchase the items?	Yes	43	100%
	No	-	-
	Total	43	100%

Source: computed from survey data, February 2025

As it can be seen in the table 4.12, the respondents were asked the procedures existence in their organization, 100 %(43) respondents replied ‘yes’ whereas none of the respondents who replied “no”. Generally, the respondents clearly state that they totally follow the procedures of the purchasing activity in the procurement of the items.

Table 4.13 purchasing activities

Question	Option	No of respondent	In percentage
Do you think that the purchasing activities of the hospital are in line with the organization’s purchasing policy?	Yes	36	83.73%
	No	7	16.27%
	Total	43	100%

Source: computed from survey data, February 2025

As we can see from the above table, out of the total, 43 respondents, 36(83.73%) were assured that the hospital purchasing activity is in line with the hospitals purchasing policy the rest 7(16.27%) of the respondents were provide their response in opposite direction that means it is not in line with the hospitals purchasing policy.

According to the data in the above table majority of the respondents know about the purchasing policy. This reflects they know how about the purchasing activity of the hospital.

Table 4.14 Involvement of service delivery team in purchasing process

Question	Option	No of respondent	In percentage
How often are service delivery teams involved in purchasing process	Always	7	16.3%
	Sometimes	33	76.7%
	Rarely	3	7%
	Never		
	Total	43	100%

Source: computed from survey data, February 2025

Analysis:

A majority (76.7%) of respondents reported that service delivery teams are "sometimes" involved in the purchasing process. While this suggests some level of consultation, the fact that only 16.3% are "always" involved indicates a potential gap in ensuring that purchasing decisions align with service needs.

Table 4.15 Supplier performance evaluation

Question	Option	No of respondent	In percentage
How often does your organization conduct supplier	Regularly	27	62.8%

performance evaluation	Occasionally	9	20.9%
	Rarely	7	16.3%
	Never		
	Total	43	100%

Source: computed from survey data, February 2025

Analysis:

Most organizations conduct supplier evaluations regularly (62.8%), which is a positive indicator of quality assurance. However, 37.2% of respondents either evaluate suppliers occasionally or rarely, which may indicate inconsistencies in monitoring supplier performance.

Table 4.16 Contribution of purchasing practice to the overall success of service delivery

Question	Option	No of respondent	In percentage
To what extent do purchasing practice contribute to the overall success of service delivery in your organization	To a very great extent	20	46.5%
	To a great extent	18	41.9%
	To some extent	5	11.6%
	To a little extent		

	Not at all		
	Total	43	100%

Source: computed from survey data, February 2025

Analysis:

A strong majority (88.4%) believe that purchasing practices contribute to service delivery success to either a "very great" or "great" extent. This suggests that procurement has a direct and significant impact on hospital service effectiveness.

Table 4.17 Formulation of formal purchasing policy to address service delivery needs

Question	Option	No of respondent	In percentage
Does your organization have a formal purchasing policy that address service delivery needs	Yes	36	83.73%
	No	7	16.27%
	Total	43	100%

Source: computed from survey data, February 2025

83.73% (36 out of 43 respondents) confirmed that their organization has a formal purchasing policy addressing service delivery needs.

- This suggests that the organization recognized the importance of structured procurement processes in ensuring efficient service delivery.

Interview with the manager

1. Purchasing process

As the manager said wolkite university specialized hospital purchasing department use different types of step when they make purchasing, these are:-

Identify the need for a product to be purchased, select specific product to meet the needs, put a team together to manage the purchase process, including finding the list of required item at required technical specification for the product to ensure it meets the hospitals need, establish a budget for the purchase, Research the various product types that fit the need along with their supplier to identify the most durable model at the best price, Solicit bids for the manufacturer and supplier of the identified product that meets all required technical specifications and finally Select suppliers from the bids submitted and award the purchase contract.

In short, as the purchasing manager said, it described as identify the need, selects specific product, appoint purchase team, specify technical specifications, budget for purchase, research potential suppliers and award contract.

2. Mechanisms to purchase materials

The manager said that, this organization use different types of purchasing mechanisms. The following data shows the mechanisms

1. Open bid: a type of purchase mechanism which is applied with the following requirement
 - I. The invitation for bid must be announced on the media and published on newspaper.
 - II. The announcement must clearly describe information like the purchasing institute name, location of item to be purchase.
2. Closed bid: which involve only selected supplier to participate in the bid.

3. Nature of purchasing

As the manager said the purchasing policy of the hospital is described as decentralized, This means different department raise question to purchasing department, then the purchasing departments by

using different types of step purchase the materials. This types of nature of purchasing reduce overheads costs. It is also an advantage for supplier to deal with centralized purchase department rather than with several departments.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1, Conclusion

Based on the analysis and interpretations made in the above chapter the following conclusions are drawn:-

- This study assessed the purchasing practices and their impact on service delivery at Wolkite University Specialized Hospital. The research revealed that although formal purchasing procedures and policies exist, their implementation faces several challenges that hinder service efficiency. A significant majority of respondents (79.06%) reported experiencing problems in the purchasing process, with delays in material delivery (81.4%) and poor purchasing performance (53.48%) being major concerns.
- The analysis identified that while the hospital operates primarily under a decentralized purchasing system, issues such as inadequate supplier selection (65.11%), untimely deliveries, and long procurement procedures negatively impact purchasing effectiveness. Moreover, while principles and standards of purchasing are moderately applied, the hospital does not fully utilize its capacity to meet material requirements effectively.
- Despite these challenges, the purchasing activities were largely aligned with the organization's policies (83.73%) and were seen to significantly contribute to service delivery success by 88.4% of respondents. There is also a positive relationship between the purchasing department and other departments, which facilitates collaboration.
- Therefore, the research concludes that while the purchasing system in the hospital is structured and has a defined policy, its effectiveness is limited by operational inefficiencies, particularly in supplier management and delivery timeliness, which directly affect the quality and timeliness of service delivery.
- All most all of the respondents respond that they meet problems of the purchasing activity such as; difficulty to perform invoice, long procedures of purchasing, problems of transportation and some of the materials are not enough as much as possible; this makes the purchasing activity weak.

- Majority of the respondents replied that the required materials are not arrived on time this directly impact on the performance of the hospital
- The standards and principles of purchasing are moderately applied in the hospital.
- Lack of adequate supplier selection and delivery on time are the major factor that hinders the effectiveness of purchasing activity in the hospital.
- The relationship between purchasing and other departments is effective which leads to better performance of the organization.
- The hospital primarily employs a decentralized purchasing policy, as confirmed by the majority of respondents (48.83%) and supported by the manager's interview. This decentralized approach allows different departments to initiate and manage their purchasing needs independently, aiming to reduce overhead and improve responsiveness. However, this structure also presents challenges such as inadequate supplier selection, delays in material delivery, and inefficient utilization of purchasing capacity, all of which hinder the effectiveness of the purchasing process.
- Despite following established procedures and having a formal policy in place, the hospital's purchasing performance was rated as poor by most respondents. While the purchasing activities are largely aligned with policy and standards, the moderate application of purchasing principles, lack of timely supplier performance, and limited integration with service delivery teams suggest that improvements in coordination and supplier management are necessary to enhance service delivery outcomes.

5.2, Recommendation

The researcher suggested the following recommendations for the betterment of the hospital purchasing practice

- The hospital must encourage women participation because the number of women is few when compared with number of men..
- Since the current purchasing performance is not good, the hospital must work hard to make it as excellent as possible in the future.
- The organization must reduce the problems related with the purchasing such as: inadequate supplier selection, lack of delivery on time, and transportation cost in order to improve effectiveness of purchasing activity.

- The hospital must be fully utilizing the capacity to purchase the required materials in order to reduce the problems related with purchasing practice.
- Even though there is a good relationship between purchasing and other departments, it must have to be improved better than before.
- The organization have to encourage direct participation of service delivery teams in purchasing discussions to ensure that procured goods meet operational needs effectively.
- Use procurement data and feedback from service delivery teams to refine purchasing strategies.
- Conduct regular reviews on procurement's impact on service delivery, making necessary adjustments.
- Generally, the hospital must improve its purchasing activity by adopting the comments given in the recommendation to be effective in the future. Therefore it should have to try to do better than before by correcting the given comments.

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APPENDIX
WOLKITE UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MANAGEMENT

Dear respondent:

Questionnaires

To the respondents

The questioner is designed to collect data about decision making practice. The information collected will be used only for research purpose to acquire BA degree award in management. Therefore, I request you kindly to respond the question that follow. I would like to thank you in advance for your organization and willingness to fill the following questioners.

General instruction

- read the questioners carefully and analyze before giving answer

then respond the questions

put the mark “ x” in the box for multiple chances

please try to use pen

do not write name

Part one :item related to background of respondent

1. sex male female

2. Age. 18-25. 26-35. 36-45. 46- and above

3. Educational level

10 and 12 completed

Diploma

Degree

Masters and above

4. Year of experience

0-2 years 2-4 years

4-7 years Above 7 years

5. Marital status

Single married

Divorced

6. Do you encounter any problems of purchasing activities?

Yes No

7. Do you get the materials at required time? If your response is 'no' what are the reasons

Yes No

Part two: Questions

8. How you express the current purchasing performance of the hospital?

Excellent Very good Good poor

Very poor

9. What type of purchasing policy your organization applied?

Centralize Decentralize

Both

10. How do you think the applicability of principles and standards of purchasing activities in wolkite university specialized hospital?

Highly applicable Moderately

Applicable Poorly applicable

Not applied at all

11. What are the major factors that affect effectiveness of purchasing activities?

Lack of adequate supplier selection

Less personal relationship

Lack of good contractual agreement

Poor administrative process

Not delivery on time

12. What look like the relationship between purchasing department and others?

Excellent Very good

13. Do you think that your organization fully utilize the capacity to purchase the required materials?

Yes no

Question option

14. Do you follow the purchasing procedure when you procure/ purchase the items?

Yes No

15. Do you think that the purchasing activities of the hospital are in line with the organization's purchasing policy?

Yes No

16. How often are service delivery teams involved in the purchasing process for goods and services they will use?

* Always

* Often

* Sometimes

* Rarely

* Never

17. How often does your organization conduct supplier performance evaluations?

* Regularly (example., quarterly, annually)

* Occasionally

* Rarely

* Never

18. To what extent do purchasing practices contribute to the overall success of service delivery in your organization?

* To a Very Great Extent

* To a Great Extent

* To Some Extent

* To a Little Extent

* Not at all

19. Does your organization have a formal purchasing policy that addresses service delivery needs?

* Yes

* No