# A Re-appraisal of Procurement Management Practices and Vendor Performance: A Case of Oil Producing Firms in Rivers State

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## ABSTRACT

*Procurement management implies sorting desirable strategic approach to supply chain relationship that can advance efficient product quality, profitability, and cost effectiveness. This study aimed to establish how procurement management practices impact on vendors' performance using oil producing firms in Rivers State of Nigeria as case study. Ten out of the twenty registered oil firms were purposively selected based on their sizes. Particularly, attentions were on product quality, profitability level and cost effectiveness of the firms as factors standing in for vendors' performance. The survey approach was adopted for the study with emphasis on the use of questionnaire, while the chi square statistical tool was employed to analyze data generated through the questionnaire. The result of the study showed that on a general note, significant relationship exists between procurement management practices and vendors' performance as each of the examined area of vendors' impact such as product quality, profitability level and cost effectiveness proved to be significantly related to procurement management practices of the firms. Suggestions were however made as to further improve the impact of procurement management in the firms. These include focusing more attention on cost management while at the same time not losing focus on product quality and profitability.*

**Keywords:** Procurement Management; Vendors' Performance; Oil Firms; Rivers State

## Introduction

There seem to be a consensus among scholars that procurement management entails building alliance and consistency of actions that corroborates wide range of objectives and robust strategy through which the mission of procurement function is fulfilled (See: Obodo, 2018; Aliyu, 2016; Muiga & Kwasira, 2016; and Magnus, 2006). This can therefore be viewed as transformation of an organization's mission, goals and objectives into measurable activities which can be used in budget planning and managing the procurement function. The identified challenge as noted by Aliyu (2016) is that most organizations have not been able to apply the required procurement principles and practices that enhance the realization of organizations' set objectives. This informs the assumption that situation such as this and others have the potentials to make organizations turn counter-productive and can also affect records procurement management practices such as records management, cost management, and relationship management.

Procurement management function as argued by Muiga and Kwasira (2016) has increasingly recognized the importance of strategic supply chain relationship that fosters competitiveness that generates positive effect on the firm's financial performance as well as business policy and strategic management. Strengthening this view, Aliyu (2016) contend that procurement has a long history, nevertheless its role as a strategic part of the organizational structure is recently identified. Procurement management can be approached from three main dimensions namely: (a) development and management of key suppliers, (b) internal operation of procurement function and coordination of purchasing with other functions within the firm, (c) and efforts to meet or exceed customer expectations. Procurement management is seen as a critical function of an organization with the potential to save cost, improve operational efficiency, sharing of best practices, enhance access to trusted supplier, and to improve quality of products/services (Magnus, 2006). Muiga and Kwasira (2016) in their postulation supported the above as they assert that procurement has evolved from a transactional function to one that is contributing to the current and future health of organizations.

As the business environment keeps changing and becoming more complex, organizations search consistently for better means to remain relevant and competitive in their operations. Following the above statement, it therefore implies that end product/service delivery from firms to customers when they are needed and at a competitive price are imperative to ensure customers feel fair treatment. According to Bittel (1991), since virtually every organization purchase goods and services to operate, supply chain has attracted more attention than before due to the massive potential that exist for improvement in gaining the competitive advantage thus reducing cost and better product or/and service performance. One of the tools for the firm's competitiveness is strategic procurement which is seen to have a positive effect on the overall performance of the organization (unlike traditional purchasing driven by desire to cut costs of purchase) short-term-profit improvement, transactional rather than relationship-behavior, and emphasis on price reduction, strategic procurement, by contrast, looks at how the purchasing of goods and services, including outsourcing of entire processes, can deliver long-term shareholder value. It involves reducing the supplier base, co-operative negotiation with suppliers, quality interaction with supplier, and developing long-term relationship with the best supplier both national and international (see: Anowor & Agbarakwe, 2015). Nevertheless, these procurement management behaviors are linked to better procurement performance, unlike traditional purchasing which is driven by the desire to cut costs of purchase and short term profit improvement, historically often resulting in supplier proliferation, transactional rather than relationship behavior, and emphasis on price reductions, strategic procurement, by contrast, looks at how the chain of goods and services, including outsourcing of entire processes can deliver better long term shareholder value (see: Ellram et al., 2013; Anowor & Ogbe, 2019).

Vendor's performance refers to the extent to which a vendor is able to meet up with client's and/or customer's expectations as regard product quality, timely delivery, and efficiency and cost effectiveness. The purchasing functions and the capabilities of vendors are of major strategic importance to firms today. These are so because a substantial amount of the resources used by the firms are made available through their vendors (Ezirim, 2009). Vendors, according to Awurum (2008), are important to buying firms not because they make the raw materials available to customers, but because they bridge the gap between the company, wholesalers and the final consumers as well as provide customers with access to technologies (Brusoni, et al., 2001).

The major purpose of this study is to appraise the relationship between procurement management practices and vendor performance in oil producing companies in Rivers State. The targets are to ascertain the kind of relationships existing and how they affect product quality, profitability, and cost effectiveness.

## Literature Review

### Exchange Relationships Theory

An exchange relationship is a mechanism for creating value through the coordination of production, consumption, and related economic activities between customers and suppliers (Johnson & Selnes, 2004). The purpose of an exchange relationship is to connect customers' needs with suppliers' resources. From a supplier's perspective, value creation is a process of understanding the heterogeneity of customer needs, developing products to fill those needs, and matching customers to products through distribution activities in competition with other suppliers (Lee, 2003). From the customer's perspective, the customer chooses the supplier or suppliers that provide the highest expected benefits less any associated distribution and availability of the goods' costs and risk, where benefits encompass a bundle of qualities, processes, and/or capabilities (Zhu, 2008). The central concept in the framework is the nature of the exchange relationship mechanism. The value created in an exchange relationship is a direct function of both the customer's and the supplier's distribution capabilities and strategies. The strategy of the supplier in the market- matching process is to know when and where to solve distribution problems and to identify the supplier that is perceived as the best in terms of distribution benefits less the costs and risks involved (O'Farrell, 2006).

## Game Theory

Game theory is an economic theory that models the interactions between different parties each pursing personal interests. The parties interact where each player is trying to find an optimum strategy and choose their action in view of what the other parties might think and do. In procurement, the design aspect of game theory is particularly effective, as the buyer typically sets the rules for the negotiation process and the clauses that govern the contractual relationships after supplier nomination. Each procurement negotiation and contractual relationship can be described in the game theory framework. According to Schreiber (2016), game theory can yield answers for key questions in strategic procurement, such as:

How do you set the best rules for the negotiation game or sourcing activities in general?
How can you ensure the rules are accepted and adhered to by all participants?
How do you incentivize suppliers to provider better value?
How can the resulting outcome be sustainably enforced and adapted to changing circumstances?

## Stakeholder Theory

The Stakeholder Theory used supports the elaboration of other theories, but rarely becomes the focus of development on its own. It is not until Freeman (1984) integrates stakeholder concepts into a coherent construct that the role of stakeholders (i.e. consumers, producers, suppliers) moves closer to the forefront of academic attention. The theory has initially centered on defining the stakeholder concept and classifying stakeholders into categories which provide an understanding of stakeholder relationships.

Three approaches are adopted in the theory:

1) The psychology based approach of personalities in management and society (Barney, 1991; Ackerman and Alstott, 1999)

2) The effects of groups or individuals towards the Stakeholder theory achievement of an organization's goal (Freeman, 1984; Mitchell et al., 1997), and most recently

3) The study of stakeholders in an inter-organizational setting in relation to power and collaboration (Clarkson, 1995; Henriques and Sadorsky, 1999).

## Concept of Procurement management

Procurement management is the process of creating alignment and consistency of action that establishes the range objectives and overall strategy or course of action by which procurement function fulfills its mission. It therefore entails the transformation of an organization's mission, goals, and objectives into measurable activities to be used to plan budget and manage the procurement function (Doran, 2002).

Procurement management is essential for competitiveness of procurement in any organization. At this juncture, procurement management is defined as a plan, ploy, position, pattern and perspectives, which organization uses to acquire works, goods, and services in order to attain competitive advantage in line with set policy, goal and objective (Aaron, 2011). Lyson and Farrington (2012), in their definition of procurement both maintained that procurement is a wider term than purchasing and has been defined as the process of acquiring goods, works and services covering both acquisitions from third parties and from in-house providers. The process spans the whole lifecycle from identification of needs, through to the end of the useful life of an asset. It involves options, appraisal and critical 'make or buy' decision.

According to the Tanzania Public Procurement Act 2005, procurement is defined as buying, purchasing, renting, leasing or otherwise acquiring any goods, works, services by a ministry, department or regional administration of the government or public body and includes all functions that pertain to the obtaining of any goods, works or services, including description of requirements, selection and invitation of tenders, preparation and award of contracts.

Furthermore, Kenya Public Procurement and Disposal Act of 2005 defined procurement as acquisition by purchase, rental, lease, hire purchase, license, tenancy, franchise, or any other contractual means of any type of works, services or supplies or any combination (Makabira and Waiganja, 2014).

**Dimensions of Procurement Management Practices**

**Supplier Relationship Management**

Supplier Relationship Management (also called Vendor Relationship Management) is a set of principles, processes and tools that can assist organization to maximize relationship value with suppliers and minimize risk and management of overhead through the entire supplier relationship lifecycle. Supplier Relationship Management has two aspects, which are:

- Clear commitment between the supplier and the buyer; and
- The objective of understanding, agreeing and whenever possible, codifying the interactions between them.

Good Supplier Relationship Management (SRM) is an effective practice that will allow an organization to:

- Identify strategic suppliers based on relative importance (supplier stratification).
- Define operational expectation and establish a governance structure and process for internal and supplier interactions across the lifecycle of the supplier relationship.
- Define formal processes for management involvement in the relationship.
- Clarify internal roles and responsibilities.
- Establish processes to effectively manage performance.

Supplier relationship management is part of the extended networks which consist of all the relationships between organizations, managers and other employees as they are structured by patterns of co-ordination and control. Larson (1994) maintained that social network theory will help establish the idea that relationships constitute a major resource just as other forms of capital within the organization.

## Records Management

Records Management (RM) also known as Records and Information Management (RIM) is an organizational function devoted to the management of information in an organization throughout its lifecycle, from the time of creation or inscription to its eventual disposition. This includes identifying, classifying, storing, securing, retrieving, tracking and or permanently preserving records. Records Management is the field of management responsible for the efficient and systematic control of the creation, receipt, maintenance, use and disposition of records, including the processes for capturing and maintaining evidence of information about business activities and transaction in the form of records. ABC International Standard Organization ISO (2001) posits that an organization's records preserve aspects of institutional memory. In determining how to retain records, their capacity for re-use is important. Many are kept as evidence of activities, transactions and decisions.

Megill (2005) states that the purpose of records management is part of an organization's broader functions and is primarily concerned with managing the evidence of an organization's activities as well as the reduction or mitigation of risk associated with it.

ABC International Organization for Standardization — ISO (2001) argued that Section 4 of the - ISO 15489-1 (2001) states that records management includes:

- Setting policies and standards.
- Assigning responsibilities and authorities.
- Establishing and promulgating procedures and guidelines.
- Providing a range of services relating to the management and use of records.
- Designing, implementing and administering specialized system for managing records.
- Integrating records management into business systems and processes.

## Benefits of Record Management:

Molla and Licker (2001) identified the following records management benefits, amongst which arc:

- Control of the creation, volume, redundancy and growth of records.
- Reduction of operating costs through active management and intelligent outsourcing decisions.
- Improvement of overall efficiency and productivity.
- Assimilation of emerging records management technologies.
- Ensuring legislative, regulatory compliance as well as other risk-management concerns, such as litigation.
- Safeguarding the organization's vital information, including historical records.
- Supporting enhanced performance and productivity of business processes; and

- Enabling, quicker and better management decision making

**Cost Management**

Cost Management (SCM) is the provision and analysis of cost and management accounting data about a firm and its competitors for use in developing and monitoring the business strategy. Strategic cost management focuses on the cost reduction and continuous improvement and change than cost containment only. It has, according to Ibanichuka (2017), been observed that the traditional cost control systems mostly maintain status quo and the ways of performing the existing activities are not reviewed. Strategic cost management can be defined as scrutinizing every process within an organization, knocking down departmental barriers, understanding suppliers business and helping improve their processes. It is the application of cost management techniques so that they simultaneously improve the strategic position of a firm and reduce costs (Ibanichuka, 2017).

**Benefits of Cost Management:**

Some benefits of Strategic cost management are given below:

- It helps in the development of framework for reviewing the strategic allocation of resources across the business based on core business processes and activities.
- It improves the businesses understanding of its cost drivers leading to improved articulation of its strategic plans in cost terms.
- It enables the business to access, at a high level, how activity-based techniques can be deployed at different levels in the business to improve its cost management process improvement.

**Vendor’s performance**

Vendor’s performance refers to the extent to which a vendor is able to meet up with client’s and /or customer’s expectation as regard product quality, timely delivery, efficiency and cost effectiveness etc. The purchasing function and the capabilities of vendors are of major strategic importance to most companies today. This is because a substantial amount of the resources used by a company are made available through its vendors (Ezirim, 2009). Vendors, according to Awurum (2008), are important to buying firms not because they make the raw materials available to customers, but because they bridge the gap between the company, wholesalers and the final consumers as well as provide customers with access to technologies (Brusoni, et al., 2001). Vendor’s performance has thus substantial impacts on the efficiency and effectiveness of their customers.

**Empirical Studies**

Chiang, Kocabasoglu-Hillmer, and Suresh (2012), carried out an empirical investigation of a theory-based model based on the competence-capability framework, and a dynamic capabilities theoretical perspective, where the internal competencies of strategic sourcing and firm's strategic flexibility relate to the dynamic capability of the firm's supply chain agility.

This investigation also includes the testing of a possible mediation effect of firm's strategic flexibility on the relationship between strategic sourcing and the firm's supply chain agility. The model is tested utilizing data from 144 US manufacturing firms via partial least square methodology. The results of the empirical study indicated that both strategic sourcing and firm's strategic flexibility were significantly related to the firm's supply chain agility. In addition, while a full partial mediation.

Benn, Paul, Robert & Kenneth (2009), conducted a study on strategic purchasing, supply management practices and buyer performance improvement in the UK manufacturing organizations. Using mediation effect was not found on the part of strategic flexibility, there was evidence for empirical data collected from 111 United Kingdom purchasing executives, a structural equation model was used to test the theoretical framework. The results showed that strategic purchasing has an indirect, significant effect on improving buyer performance, acting through supplier integration. Strategic purchasing also had a significant effect on the use of socialisation mechanisms, but not on supplier responsiveness. The research also indicates that close, long-term supplier relationships can lead to the creation of relational rents.

Thrulogachantar and Suhaiza (2010) carried out a study on the influence of purchasing strategies on manufacturing performance in Malaysia. Primary data instruments were used for the study. The result obtained reveals that purchasing strategies creates significant positive impact on manufacturing performance which comprises the competitive priorities of the firms in term of quality, cost, cycle time, new product introduction time line, delivery speed and dependability and finally customization responsiveness performance. The study further suggested that manufacturing firms should emphasize on focusing on purchasing strategies such as effective negotiation, supplier collaborative relationship and interaction; effective cost management and supply base management as navigator for their excellence performance in the volatile market condition.

Hesping (2017) investigates which tactics contribute to a sourcing category’s cost and innovation performance. Data on sourcing tactics and performance have been collected in a survey including 107 sourcing projects. Structural equation modeling has been used to empirically test for the influence of sourcing tactics on performance. The study extends previous conceptual studies by adding initial empirical evidence about the influence of sourcing tactics on performance. In contrast to previous studies, findings show that price evaluation has an important impact on innovation.

## Research Methodology

The population of this study includes all the oil producing companies in the oil sector of Rivers State. Information gathered from the corporate office of the Corporate Affairs Commission Trans-Amadi Port Harcourt shows that there are 20 (twenty) registered multinational oil companies domicile in Port Harcourt. However the ten biggest players were selected through a purposive sampling method namely: The Nigeria Agip Oil Company, Chevron Oil Nigeria Limited, Conoil Nigeria Limited, Exxon Mobil Nigeria Limited, Master

Energy Nigeria Limited, Petrostar Nigeria Limited, Shell Petroleum Development Company, Saipem Oil Nigeria Limited, Schlumberger Nigeria Limited and Totalfina Elf Nigeria Limited.

Furthermore, attention shall be focused on the procurement and stores staff of these organizations with a total population of 200. This population of 200 is distributed among the various organizations as shown in the table 1 below:

**Table 1: Distribution of procurement and stores population among the selected organisations**

| Multinational oil producing companies | Stores/Procurement personnel | % |
|---|---|---|
| Shell Petroleum Development Company | 40 | 20 |
| Schlumberger Nigeria Limited | 20 | 10 |
| Saipem Oil Nigeria Limited, | 10 | 5 |
| Petrostar Nigeria Limited, | 10 | 5 |
| Master Energy Nigeria Limited | 10 | 5 |
| Exxon Mobil Nigeria Limited | 15 | 7.5 |
| Conoil Nigeria Limited | 10 | 5 |
| Nigeria Agip Oil Company | 30 | 15 |
| Totalfina Elf Nigeria Limited | 30 | 15 |
| Chevron Oil Nig. Limited. | 25 | 12.5 |
| **Total** | **200** | **100** |

***Source:*** *Field Data 2019*

**Determination of Sample Size**

The population of this study is a finite one (200). This permitted the researcher to adopt Yamane (1964) model for determining the sample size of the finite population.

The model stated that:

n = $\frac{N}{1+N\,(e)^2}$……….. (Onwe, 1998), Asika (1991), Osuala (1993)

Where:

n = required sample size

N = population of the study (200)

I = statistical constant

e = maximum level of error at 5%

Therefore;

n = $\frac{200}{1+200\ X\ (0.05)^2}$

$$n = \frac{200}{1.5}$$

$$n = 133$$

The sample size was distributed to the participating population using proportional stratification (Onwe, 1998; Asika, 1991 and (Osuala 1993). Table 2 demonstrates the distribution of sample size.

**Table 2: Proportional stratification**

| **Organizations** | **Population of Staff** | **%** | **Proportional Stratification/ served questionnaire** | Number returned | Number found useful |
|---|---|---|---|---|---|
| Shell Petroleum Development Company | 40 | 20 | 0.20x133 = 27.0 | 23 | 18 |
| Schumbeger Nigeria Ltd. | 20 | 10 | 0.10x133 = 12.0 | 9 | 7 |
| Saipem Oil Nigeria Ltd. | 10 | 5 | 0.05x133 = 6.0 | 5 | 4 |
| Petrostar Nigeria Ltd | 10 | 5 | 0.05x133 = 6.0 | 5 | 4 |
| Master Energy Nig. Ltd | 10 | 5 | 0.05x133 = 6.0 | 5 | 5 |
| Exxon Mobil Nig. Ltd. | 15 | 7.5 | 0.075x133 =10.0 | 7 | 6 |
| Conoil Nigeria Ltd. | 10 | 5 | 0.05x133 = 6.0 | 4 | 4 |
| Nigeria Agip Oil Company | 30 | 15 | 0.15x133=21.0 | 17 | 16 |
| Total Fina Elf | 30 | 15 | 0.15x133=21.0 | 15 | 13 |
| Chevron Oil Nigeria | 25 | 12.5 | 0.125x133=17.0 | 14 | 12 |
| **Total** | **200** | **100** | **133** | **105** | **90** |

**Source:** *Field Survey, 2019.*

Table 2 shows that all the strata of the population contributed to the sample proportionally.

Operationally, the table shows the number of questionnaires administered to each of the respondents. 133 questionnaires were distributed to 133 respondents from the various companies. Of the 133 questionnaires distributed, 105 were returned and 90 were found useful. This shows a success rate of 67.6% which is encouraging.

**Method of Data Analysis**

Data obtained were refined for all purposes and case of comprehension. To achieve this, we used tables, percentages and where necessary used means and charts. The stated hypotheses were tested using the non–parametric static chi-square ($x^2$). The mathematical formula is presented as:

Formula: $x^2 \quad = \quad \Sigma \frac{(fo - \text{fe})^2}{fe}$

Where $x^2$ = output of the chi-square model

fo = observed frequencies

fe = expected frequencies

**Decision rule:** If $x^2$ calculated is $\geq X^2$ table reading, then reject the null hypothesis and accept the alternate hypothesis.

**Result and Discussion**

**Table 3: Contingency Table One**

Key: SA=strongly agreed; A= agreed; D = disagreed; SD= strongly disagreed.

| Procurement Management practices & product quality | SA | A | D | SD | Total |
|---|---|---|---|---|---|
| Relationship Management is highly emphasized to promote process optimization to address product quality concerns | 35 | 25 | 10 | 20 | 90 |
| Record management has becomes so transparent as to promote product quality | 15 | 40 | 10 | 25 | 90 |
| Cost management focuses on continuous improvement to enhance product quality | 24 | 15 | 16 | 35 | 90 |
| **Total** | **74** | **80** | **36** | **80** | **270** |

**Source**: *field data, 2019*

$X^2$cal= 26.44

Determination of degree of freedom DF (r-1 (c-1)
Where: r = number of rows = 6
C = number of column
At 95% confidence interval and 0.05 level of significance at a degree of freedom of 6, $X^2$ table = 12.6

**Interpretation of result**

Given the above result, where the $X^2$ calculated value of 26.44 is far above the $X^2$ tabulated value of 12.6, a relationship does exist between procurement management practices and product quality in the studied organizations.

**Table 4: Contingency Table Two**

**Key**: SA=strongly agreed; A= agreed; D = disagreed; SD= strongly disagreed.

| Procurement Management practice & profitability level | SA | A | D | SD | Total |
|---|---|---|---|---|---|
| Relationship management has been used to forged alliance between your firm & its vendors to maximize profitability level | 10 | 30 | 25 | 25 | 90 |
| Record management has enables your firm to benchmark operations & performance to enhance profitability level | 36 | 30 | 14 | 10 | 90 |
| Cost management has been employed to reduce cost in order to maximize profit | 30 | 25 | 14 | 21 | 90 |
| **Total** | **76** | **85** | **53** | **56** | **270** |

**Source**: *field data, 2019*

$X^2$cal= 26.32

Determination of degree of freedom DF (r-1 (c-1)
Where: r = number of rows = 6
C = number of columns
At 95% confidence interval and 0.05 level of significance, at a degree of freedom of 6, $X^2$ tab = 12.6

**Interpretation of result**

In the above result, $X^2$ cal = 26.32 and $X^2$ tab = 12.6, this shows that $X^2$ cal > $X^2$ tab.

This therefore indicates that a significant relationship does exist between procurement management practices and the profitability level of the organizations concern.

**Table 5: Contingency Table Three**

| Procurement management practices and cost effectiveness | SA | A | D | SD | Total |
|---|---|---|---|---|---|
| The nature of relationship management practice by your firm enables vendors to be cost consideration | 15 | 35 | 30 | 10 | 90 |
| The record management practice of your organization provide adequate information to benchmark costs | 10 | 15 | 25 | 40 | 90 |
| Cost management tools have been deployed by your firm to regulate arbitrary cost of materials supply by vendors | 30 | 24 | 20 | 16 | 90 |
| **Total** | **55** | **74** | **75** | **66** | **270** |

**Source**: field data, 2019

$X^2$ cal = 43.57

See Appendix C for details
Determination of degree of freedom DF (r-1 (c-1)

Where: r = number of rows = 6

C = number of column

At 95% confidence interval and 0.05 level of significance, at a degree of freedom of 6, $X^2$ tab = 12.6

**Interpretation of result**

Given the above result, where the $X^2$ cal value of 43.57 is far above the $X^2$ tab value of 12.6, shows that $X^2$ cal > $X^2$ cal. This indicated that a relationship does exist between procurement management practice and cost effectiveness in the organizations.

**Discussion of Findings**

The result of the study showed that procurement management practices impact on vendors' performance as demonstrated in the tested hypotheses. This corroborated the views of Benn, Paul, Robert and Kenneth (2009) in their study on supply chain management practices and buyers performance improvement in the UK manufacturing organizations. The impact on cost effectiveness by procurement management practices is the greatest in this study as it has an $X^2$ calculated value of 43.57. This is in line with the study carried out by Thrulogachantar and Suhaiza (2010) in which there was an improvement in cost effectiveness following the organizational improvement in procurement management practices. Similarly, Hesping (2017) found cost management to be a relevant factor in the study he carried out to investigate the tactics that best contributes to sourcing performance in organizations in the UK. Shubhendu (2015), Hatane, Hotkers and Rany (2018), Adams and Dung (2014) differ in their conclusion on the role of procurement management to improve vendor's performance to achieve product quality. Rather their results indicated significant relationship between procurement management practices and profitability level. On the issue of record and information management, Adams and Dung (2014) in their investigation of supply chain sourcing strategies have a corroborative result that shows the significance of record and information management on supply chain performance. This study has been able to expose the relationship between procurement management practices on one hand, and vendors' performance on the other hand, taking into consideration product quality, profitability level and cost effectiveness, which were all proved to be significant in the study.

**Conclusion/Recommendations**

On a general note, the study showed that a significant relationship exists between procurement management practices and vendors' performance in the studied organization. However, there is a greater impact of procurement management practice on cost effectiveness, as it has the highest $x^2$ cal value of 43.57. This was followed by the impact on product quality, and lastly by the impact on the profitable level of the organization.

**Recommendations**

The following recommendations are made in line with the findings of the study:

The organization should further improve on its procurement practices in order to improve more on vendor's performance, while emphasis should be laid more on cost effectiveness as that is where impact has been felt most. Attention should as well not be shifted away on further improvement of product quality and profitable level.

On a similar note, the organizations should also target other areas where vendors could also impact on their performance. Such areas include: rate of turnover, prompt product delivery and among others focusing on forming strategic alliances with the vendors and staff development.

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