

## **Antecedents and Consequences of Public Procurement Non-compliance Behavior**

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**Abstract:** This paper proposes a conceptualization of the antecedents and consequences of compliance/ non-compliance behaviour in public procurement. It was motivated by the paucity of studies on public procurement compliance in Uganda, despite the evidently rampant non-complaint behaviour exhibited and a realization by recent researchers that less research has been conducted on organizational misbehaviors and non-compliance in purchasing and supply management. There are also scanty (if any) studies that have incorporated antecedents and consequences of public procurement compliance in a comprehensive single framework such as proposed in this study. Through a review of existing scholarly works, documents, records and reports, a conceptual frame work was developed in which media publicity, enforcement, records management, organizational culture, political interference, professionalism, organizational incentives, perceived rule legitimacy, moral obligation, social influence, familiarity with rules and top management support were identified as antecedents while cognitive dissonance, low employee motivation, low corruption, better corporate governance and low service delivery were established as consequences. It is hoped that future researchers will utilize the current proposed conceptual model to conduct empirical studies on public procurement compliance in Uganda and other geographical contexts. This will provide practical implications that will assist to avert the unbridled squander of colossal amount of money through flouting public procurement procedures.

**Key words:** *Conceptual framework, public procurement, rules, compliance*

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### **1. Introduction**

Today, in many countries, public procurement has become an issue of public attention and debate, and has been subjected to reforms, restructuring, rules and regulations. Public procurement refers to the acquisition of goods, services and works by a procuring entity using public funds (World Bank, 1995a). According to Roodhooft and Abbeele (2006), public bodies have always been big purchasers, dealing with huge budgets. Mahmood, (2010) also reiterated that public procurement represents 18.42% of the world GDP. In developing countries, public procurement is increasingly recognized as essential in service delivery (Basheka and Bisangabasaija, 2010), and it accounts for a high proportion of total expenditure. For example, public procurement accounts for 60% in Kenya (Akech, 2005), 58% in Angola, 40% in Malawi and 70% of Uganda's public spending (Wittig, 1999; Government of Uganda, 2006) as cited in Basheka and Bisangabasaija (2010). This is very high when compared with a global average of 12-20 % (Frøystad et al; 2010). Due to the colossal amount of money involved in government procurement and the fact that such money comes from the public, there is need for accountability and transparency, (Hui et al; 2011). Consequently, various countries both in developed and least developed countries have instituted procurement reforms involving laws and regulations. The major obstacle however, has been inadequate regulatory compliance. De Boer and Telgen (1998) confirm that non-compliance problem affects not only the third world countries but also countries in the European Union. This position is further supported by Gelderman et al (2006) who contend that compliance in public procurement is still a major issue. Hui et al (2011) while analyzing procurement issues in Malaysia established that procurement officers were blamed for malpractice and non-compliance to the procurement policies and procedures. Citing Yukl (1989), Gelderman et al;(2006) stipulate that compliance occurs when the target performs a requested action, but is apathetic about it, rather than enthusiastic, and puts in only a minimal or average effort. However, as an organizational outcome, compliance has traditionally been understood as conformity or obedience to regulations and legislation (Snell, 2004) cited in Lisa, (2010).

The issue of public procurement non-compliance has triggered a lot of debate in recent years (De Boer and Telgen, 1998; Gelderman et al; 2006; Zhang, 2008, Obanda, 2010; Eyaa and Oluka, 2011). Despite this,

Karjalainen et al (2009) contend that very little research has so far been conducted on organizational misbehaviors and non-compliance in purchasing and supply management. This is surprising given that public procurement has been employed as a vital instrument for achieving economic, social and other objectives (Arrowsmith, 1998), and is regrettably an area vulnerable to mismanagement and corruption (OECD, 2007). Besides, most of the studies on public procurement compliance have been conducted outside Uganda and mostly in the developed world. The notable exception is Obanda (2010) and Eyaa and Oluka (2011) but these studies did not incorporate variables such as enforcement, culture, moral obligation, social influence, political interference, media publicity etc which previous researchers have deemed significant to compliance (Lisa, 2010; Trepte, 2005; Sutinen and Kuperan 1999; Hui et al; 2011; Zubcic and Sims, 2011). Further to that, none of the aforementioned studies investigated the consequences of public procurement compliance. This has left a knowledge gap, which this study intends to fill by using theories such as institutional theory, principal agent theory, cognitive dissonance theory, legitimacy theory and socio-economic theory of compliance to develop propositions for the antecedents and consequences in a single framework to facilitate further empirical studies on public procurement compliance in Uganda and other geographical settings.

In Uganda, a wave of procurement reforms that begun in 1997, culminated into the enactment of the Public Procurement and Disposal of Public Assets (PPDA) Act 2003, and regulations 2003. Unfortunately, many central government ministries and agencies have since then not followed prescribed practices (Agaba & Shipman, 2007). The procurement audits carried out by the PPDA have revealed that out of 322 contracts audited at the end of 2005, only 7 (2%) were assessed as compliant. Other successive audit checks reveal that compliance in public procurement in Uganda is still inadequate (PPDA compliance reports, 2009; PPDA Baseline survey report, 2010; PPDA Capacity Building Strategy Report, 2011-2014; World Bank Country Procurement Assessment Report, 2001). This is also supported by the African Peer Review Mechanism Country Review (APRM) Report (2009), which indicates that non-compliance with the regulations is very high in Uganda. Despite this evidently low public procurement compliance, not much focus has been placed on explaining non-compliance with public procurement regulations in Uganda (Eyaa and Oluka, 2011).

**Theoretical Underpinning:** As cited by Defee et al (2010), good research should be grounded in theory (Mentzer et al., 2008). This paper bases on the institutional theory, socio-economic theory, principal agent theory, cognitive theory and legitimacy theory. The institutional theory is the traditional approach that is used to examine elements of public procurement (Obanda 2010). Scott (2004) identifies three pillars of institutions as regulatory, normative and cultural cognitive. The regulatory pillar emphasizes the use of rules, laws and sanctions as enforcement mechanism, with expedience as basis for compliance. The normative pillar refers to norms and values with social obligation as the basis of compliance. The cultural-cognitive pillar rests on shared understanding (common beliefs, symbols, shared understanding). Borrowing from this theory, public institutions in Uganda are guided by rules and regulations with the PPDA Act (2003), regulations (2003) and guidelines directing procurement activities. From the three pillars of institutions propounded by Scott (2004), organizational culture, social influence, organizational incentives and enforcement are identified as antecedents of compliance to procurement rules.

The principal-agent theory is an agency model developed by economists that deals with situations in which the principal is in position to induce the agent, to perform some task in the principal's interest, but not necessarily the agent's (Health and Norman, 2004) Donahue, (1989) explains that procurement managers including all civil servants concerned with public procurement must play the agent role for elected representatives. This theory will help us to investigate the role of political interference and records management in public procurement compliance as public procurement managers are considered stewards for politicians. As cited by Krawiec (2003), compliance may represent a principal-agent problem (Langevoort, 2002). Festinger (1957) proposed the theory of cognitive dissonance. This theory led to a number of derivations about opinion change following forced compliance. From this theory, it is inferred that that when someone is forced comply, dissonance is created between their cognition (I did not want to do this) and their behaviour (I did it). Forced public procurement compliance can therefore culminate into cognitive dissonance.

Sutinen and Kuperan (1999) propounded the socio-economic theory of compliance by integrating economic theory with theories from psychology and sociology to account for moral obligation and social influence as

determinants of individuals' decisions on compliance. Lisa (2010) also adds that psychological perspectives provide a basis for the success or failure of organizational compliance. According to Wilmshurst and Frost (2000), the legitimacy theory postulates that the organization is responsible to disclose its practices to the stakeholders, especially to the public and justify its existence within the boundaries of society. This theory, which focuses on the relationship and interaction between an organization and the society, provides a sufficient and superior lens for understanding government procurement system (Hui et al; 2011). From this theory, the perceived legitimacy of public procurement rules has been identified as one of the antecedents of public procurement compliance behavior.

## 2. Literature review

**Media Publicity:** The media play a critical role in corporate compliance. Through the media, the corporate community is made aware of the regulatory outcomes (Zubic and Sims, 2011). Hui et al (2011) stated that in Malaysia, wide publication of tenders in the media such as newspapers and websites could help reduce corruption by increasing transparency and participation, thereby enhancing public procurement compliance. According to Borden (2007), media exposure reduces the incidence of wrongdoing through press coverage that highlights instances of wrongdoing. More to that, in an environment of heightened and effective press coverage of misconduct, others contemplating misconduct may be discouraged. Such claims are also supported by Yeung (2002) as cited in (Zubic and Sims, 2011) who argues that there is a direct correlation between negative media publicity about an organisation and their subsequent approach to corporate compliance. At an individual level, it was also argued that corporate executives who have a high standing in the business community are fearful that their own personal reputations and respectability may be tarnished by adverse publicity related to the corporation they manage. Related to this, UNDP (2010) indicated that many procurement scandals have been uncovered by the media and a free and independent press is a powerful tool to promote transparency and accountability. In Uganda, Nation wide circulated and widely read newspapers such as The New Vision and The Monitor have been used in disseminating procurement information on one hand and exposing individuals flouting procurement procedures on the other. For instance, The Monitor 15<sup>th</sup> November, (2010) exposed public officials and ministers who were implicated for contravening procurement rules in Uganda. The media assists in exposing corrupt politicians (Ferraz and Finan, 2007) thereby increasing compliance. Manis (2008) cites Clinard (1990) and asserts that publicizing corporate misconduct has a deterrent effect and leads to better corporate compliance (Zubic and Sims, 2011). We therefore develop the first research proposition;

*P1: Media publicity improves public procurement compliance*

**Enforcement:** Enforcement could be broadly viewed as any actions taken by regulators to ensure compliance (Zubic and Sims, 2011). There are mixed opinions regarding the effect of enforcement on compliance. Some scholars such as Sparrow (2000, 1994) doubt the direct effect of enforcement on compliance. They argue that enforcement may make violators more sophisticated in how to prevent, and conceal detection by the authorities. However many other scholars agree that enforcement improves compliance (Gunningham and Kagan, 2005; Imperato 2005; Sutinen and Kuperan, 1999; Zubic and Sims, 2011)? According to Zubic and Sims (2011), enforcement action and increased penalties lead to greater levels of compliance with laws. Corruption among government procurement officials in developing countries such as Bangladesh, India, Sri Lanka, Nigeria and Venezuela has been linked to a weak enforcement of the rule of law (Nwabuzor, 2005) as cited in Raymond (2008). A study on corporate governance in Africa revealed that countries such as Nigeria and Ghana suffer from weak law enforcement mechanisms (Okeahalam, 2004). In counties with complaint and review mechanisms, bidders are allowed to verify whether the procurement processes conform to the prescribed procedures. The possibility of review is also a strong incentive for procurement officials to abide by the rules (Hui et al 2011). Firms might choose to implement ineffective compliance systems if legal violations may be profitable in cases where the legal system under-enforces, either because penalties are set too low or because detection is imperfect or ineffective. Gunningham and Kagan (2005) argue that the threat of legal sanctions is essential to regulatory compliance and that enforcement action has a cumulative effect on the consciousness of regulated companies and it reminds companies and individuals that violators will be punished and to check their own compliance programs. This is also supported by Gunningham and Kagan (2005) who opined that the outcome of sustained enforcement action instilled a culture of compliance and

had a direct impact on corporate compliant behaviour. Sutinen and Kuperan, (1999) further argue that coercive enforcement measures remain an essential ingredient in any compliance regime. We therefore make the second proposition;

*P2: Enforcement has a positive effect on public procurement compliance.*

**Records Management:** In any contemporary industry, the data and reports showing compliance to regulatory needs must be robust and come from a reliable source. Many developing countries lack a systematic approach to managing records. It is argued that accurate and readily accessible records of judicial rulings reduce the potential for illicit manipulation resulting from delays, corruption, and inaccuracies. Dysfunctional records management undermines legal and judicial reform creating room for corruption or collusion between court officials and lawyers (Thurston, 2005). This negatively affects enforcement and reduces compliance. According to Ambrose (2008), the source of data must be safeguarded against tampering such that no one can alter data without leaving some evidence of that change. A study conducted in Kenya found out that poor records management had adverse effect on service delivery. It forces individuals to act on ad hoc basis, makes it intricate to carry out meaningful audits and to prove fraud (Kemoni and Ngulube, 2008). This undoubtedly contributes to non-compliant behavior. Similarly, Akech, (2005) asserted that due to poor records management, a Minister in Kenya unlawfully obtained confidential information on the tender and used it to interfere with the procurement process. Other studies have shown that current lack of data collection and records by organs of state prevents the effective monitoring targeted on the transparency of the tendering process (Bolton, 2006). In support of this view, it has been suggested that in order to allow proper accountability in the procurement process, details of procurements undertaken together with all necessary documentations should be available (Jones, 2007). In Uganda, the procurement integrity survey on Uganda (2006) revealed that public procurement system in Uganda is marred by poor record keeping culture, which has resulted in lack of comprehensive statistics on the value of goods, services and works procured. In addition, there is hardly any public procurement report in Uganda that passes without identifying records management and transparency challenges in PDEs (PPDA base line survey, 2010; PPDA compliance audit report, 2008; PPDA workshop report, 2008; PPDA compliance audit report, 2009). Most recently, the PPDA Capacity Building Strategy Report (2011-2014) revealed that there is low compliance in record keeping in Uganda. As Ambrose (2008) suggests, systems without the ability to provide an inviolable audit trail would make their use unacceptable in most compliance and regulatory environments. Proper records management controls, managing who can access and modify key documents and records have been identified as an integral part of achieving compliance (Alfresco, 2009). We therefore propose as follows;

*P3: Records management affects public procurement compliance*

**Organizational culture:** Due to regulatory reforms and changing community expectations, the role of culture in organizational compliance has gained momentum (Lisa, 2010). Basing on the competing values model(hierarchical culture), which involves enforcement of rules, conformity and attention to technical matters, individual conformity and compliance are achieved through enforcement of formerly stated rules and procedures(Zammuto and Krakower, 1991) as cited in Parker and Bradley (2000). Although there is no single definition of culture, one can define it as 'the structure of behaviors, ideas, attitudes, values, habits, beliefs, customs, language, rituals, ceremonies, and practices of a particular group of people that provides them with a general design for living and patterns for interpreting behavior' (Rice, 2007). According to Lisa, (2010), culture plays a central role in the compliance process and associated outcomes. conducted a study on culture in Uganda's public sector and depicted culture as a hindrance to reforms. It is also contended that in a specific type of culture, characterized by specific values such as openness, trust and honesty (Arjoon, 2006) as cited in Lisa, (2010), employees are more likely to engage in compliance behaviours, which collectively will contribute to organizational compliance. Parker and Bradley (2000) further indicated that awareness of the nature of public organizational culture is vital in explaining and assessing the appropriateness and outcome of the current reform process. This applies to developing countries where waves of procurement reforms have resulted into enactment of procurement rules and regulations. This leads us to the following proposition;

*P4: Organizational culture affects public procurement compliance*

**Political Interference:** Public procurement is considered an inherently a politically sensitive activity (Schapper et al; 2006). Murray (2009) contended that in public procurement, managers take on the role of agent for elected representatives. However, Pillary (2004) argues that senior officials and political leaders use public office for private gain and this has weakened the motivation to remain honest. Raymond (2008) also opined that ministers and political parties receive clandestine payments in government procurement. This ultimately interferes with the procurement process and constrains compliance. This is also re-echoed by Lodhia and Burritt, (2004), who recognizes that social and political influences have an important bearing on public sector reform .In developing countries; one of the major obstacles to the procurement system is ministerial interference with the tender process where ministers intervene and influence tender awards. The threat of being suspended or fired has in many cases intimidated public officers into obeying illegal ministerial directives leading to non-compliance (Akech, 2005). In support of this, Hui et al; (2011) asserted that interference from the local politicians, businesspersons, members of parliament and very influential top management individuals has interrupted the procurement processes and deterred transparency. In Uganda, many political figures especially government ministers have been implicated in high value procurement related scandals such as the US\$550 million Bujagali Dam hydro-electric project (Prayas Energy Group, 2002), CHOGM Summit in which 1.6 billion Ugandan shillings was lost in dubious deals, Global fund scandal , the influence peddling in the purchase of Temangalo land by National Social Security Fund and the political interference and conflict of interest in the procurement of a communication system in which the contract was inflated by about 4.1 billion Ugandan shillings (The Monitor 15<sup>th</sup> November, 2010). Lodhia and Burritt, (2004) further stated that political influence in public sector management limits information, transparency and favour is extended without management being held to account. Coviello and Gagliarducci (2010) also revealed that politicians influence public procurement through non-compliance acts such as collusion. We therefore propose thus;

*P5: Political interference has a negative effect on public procurement compliance*

**Professionalism:** According to Raymond (2008), professionalism in public procurement relates not only to the levels of education and qualifications of the workforce but also to the professional approach in the conduct of business activities. If the workforce is not adequately educated in procurement matters, serious consequences; including, breaches of codes of conduct occur. According to Atkinson (2003) cited in Raymond(2008), there are approximately 500,000 professional purchasing people in the United States and only 10 per cent of these have been members of a professional body and the rest are not even aware that there are ethical and legal standards involved in procurement. Raymond (2008) also linked lack of a high degree of professionalism in public procurement to corruption, which ultimately impedes compliance. The procurement officers must be trained and aware about all regulations in relation to procurement and related procedures (Hui et al 2011). Rossi, (2010) asserts that ethical code is not only a deterrent of incorrect behaviour but also an enabler for all members of the organisation to safeguard the ethical legacy of the firm. In Uganda, the PPDA Audit Report (2008) revealed that lack of professionalism was high amongst public procurement officers. This position is further confirmed by Basheka and Mugabira (2008) who state that the level of professionalism in public procurement in Uganda is low or non – existent. De Boer and Telgen, (1998) also attributed non-compliance in public procurement to lack of purchasing professionalism in the public sector. Thus, we posit that;

*P6: Purchasing professionalism increases public procurement compliance*

**Organizational Incentives:** Teutemann (1990) as cited in Gelderman et al; (2006) argued that public bureaucrats normally try to exhaust their budget fully as to avoid reductions in their future budget. Gelderman et al; (2006) also stated that the problematic transfer of budgets in many public agencies is likely to have a negative impact on the compliance with the EU rules. Sutinen and Kuperan (1999) argue that purchasers will take into account the risk of sanctions, imposed by the organisation in case of non-compliance. Gelderman et al; (2006) further asserted that more impact on procurement compliance can be expected from the internal incentives established by the organisation. Parker and Hartley (2003) highlighted that military personnel do not necessarily behave efficiently, because they neither share in any profits from efficient behaviour or experience losses from poor performance. Ntayi et al; (2010) also argued that in Africa, pressure on public procurement budgets coupled with delayed payments provide incentives to engage in

deviant behaviors. Consequently, these deviant behaviours are linked to non-compliance in public procurement. We therefore propose that;

*P7: Organizational incentives improve compliance in public procurement*

**Perceived rule legitimacy, moral obligation and social influence:** Sutinen and Kuperan (1999) maintain that the willingness to comply because of moral obligation and social influence is based, among others on the perceived legitimacy of the authorities charged with implementing the regulations. Hui et al; (2011) stipulated that legitimacy theory provides a sufficient and superior lens for understanding government procurement system. Lazarides, (2011) adds that voluntary compliance is the result of personal or corporate ethics, motivation schemes and in most cases the result of corporate interest alignment with the legal provisions behavior. Sutinen and Kuperan (1999) also assert that moral obligation, may be a significant motivation explaining much of the evidence on compliance behavior. They also add that Groupthink has been found to have a serious implication on effective compliance. As cited in Lisa (2010), the higher the compliance by others the stronger the individual's incentive to comply. This is an indication of the role of social influence on compliance. The OECD (2005) further observes that, it is difficult to combat fraud and corruption in public procurement if a group of individuals in an organisation collude with common interests in maintaining secrecy around their corrupt acts. As moral obligation and social influence are weakened, regulatory compliance also weakens (Sutinen and Kuperan, 1999). We therefore make the following proposition;

*P8: Perceived rule legitimacy improves moral obligation*

*P9: Moral obligation improves public procurement compliance*

*P10: Social influence affects public procurement compliance*

**Purchaser's familiarity with the rules:** According to Rossi (2010), compliance with the formal elements gives an indication of knowledge of the rules. Gelderman et al; (2006) maintained that public purchasers will comply with the rules if they perceive them as clear. They added that the simple fact that the management of a public agency is familiar with the essence of the EU rules could function as an organizational incentive to comply. It is further argued that Lack of clarity is believed to increase the possibilities for (un)deliberate non-compliance. Educating and training public purchasers will be an effective tool for increasing the compliance with the directives (Gelderman et al; 2006). Eyaa and Oluka, (2011) stated that lack of familiarity with procurement rules results into poor compliance levels. They also found out that in the Ugandan context, familiarity with procurement regulations significantly predicted compliance with procurement regulations. A study by Heneghan and O'Donnell, (2007) indicated that the high levels of non-compliance were partly attributable to the complex legislative requirements of the Irish Company Acts. Lazarides, (2011) also adds that compulsory compliance is the result of among other factors clarity or lack of vagueness of provisions. Thus increasing knowledge of the law can improve compliance. The following proposition is therefore advanced;

*P11: Familiarity with the procurement rules increases public procurement compliance.*

**Top management support:** Hui et al (2011) stipulates that efficient management is one of the most effective preventive mechanisms for it promotes transparency and accountability, facilitates oversight and provides a good basis to prevent corruption. Rossi, (2010) opines that formal controls must first be defined, agreed, and applied top-down internally within an organization if they are to be effective. An organization with a genuine commitment to legal compliance is evidenced by top management's dedication to ethical corporate behavior (Krawiec, 2003). As cited in Heneghan and O'Donnell, (2007), a compliance culture in an organization must start in the boardroom and should be reflected and evidenced in directors' own behaviours and attitudes. In a related argument, Obanda, (2010) stipulated that strong institutional support at top levels of government is needed by procurement personnel in order to promote integrity, monitor the public procurement process and apply procurement law appropriately. This leads us to the following proposition;

*P12: Top management support improves public procurement compliance*

**Cognitive dissonance and employee motivation:** According to cognitive dissonance theory, a powerful motive to maintain cognitive consistency can give rise to irrational and sometimes maladaptive behaviour (Festinger 1957). Cognitive dissonance is described as the feeling of uncomfortable tension that comes from holding two conflicting thoughts in the mind at the same time. Dissonance is a healthy element of identity formation and is most powerful when it is about one's professional self image. Haizlip, (2011) opined that individual's professional identity is also related to professional efficacy and effectiveness. Festinger (1957) theory of cognitive dissonance indicated a number of derivations about opinion change following forced compliance. It was argued that when someone is forced to do (publicly) something they (privately) really do not want to do; dissonance is created between their cognition (I did not want to do this) and their behaviour (I did it). Forced public procurement compliance can therefore culminate into cognitive dissonance. To enforce public procurement rules, constant control and monitoring is inevitable. However, Huberts et al; (2008) asserted that this can reduce employee trust and have a demoralizing effect on government employees, many of whom chose to work in government precisely for the opportunity to exercise their judgment on behalf of the public. As cited by Lager (2009), the concentration of control and structuring of activities negatively affects government employees' motivation (Vandenabeele et al; 2004).The following propositions is made;

*P13: Public procurement compliance increases cognitive dissonance among employees*

*P14: Public procurement compliance reduces employee motivation*

**Corruption:** According to Transparency International (2006), corruption is the misuse of entrusted power for private gain. Raymond (2008) stated that procurement related corruption tends to be a serious problem in developing countries rather than in developed countries. Developing counties such as Bangladesh, India, Sri Lanka, Nigeria, Kenya and Venezuela were identified as having high levels of corruption. As stated by Hui et al; (2011), public procurement corruption could threaten legitimacy and as such, the policies and procedures should be created to curb any possible corruption activities and enhance transparency, accountability and integrity. Citing The New Vision (2005), Obanda (2010) indicated that the Executive Director of the PPDA asserted that the government of Uganda would save 330 billion Uganda shillings by eliminating losses incurred through corruption in public procurement. It was further stressed that corruption is because the law has many loopholes and the prescribed practices are laxly or impractical to enforce. Obanda (2010) also found out that compliance is deemed to substantially curb corruption in public procurement. OECD (2007) also added that the establishment of clear rules and regulations complemented by substantial and effectively enforced penalties, applied by public administrations and courts, are considered the most effective deterrents to bribery and corruption in public procurement. We therefore propose that;

*P15: Compliance in public procurement reduces corruption.*

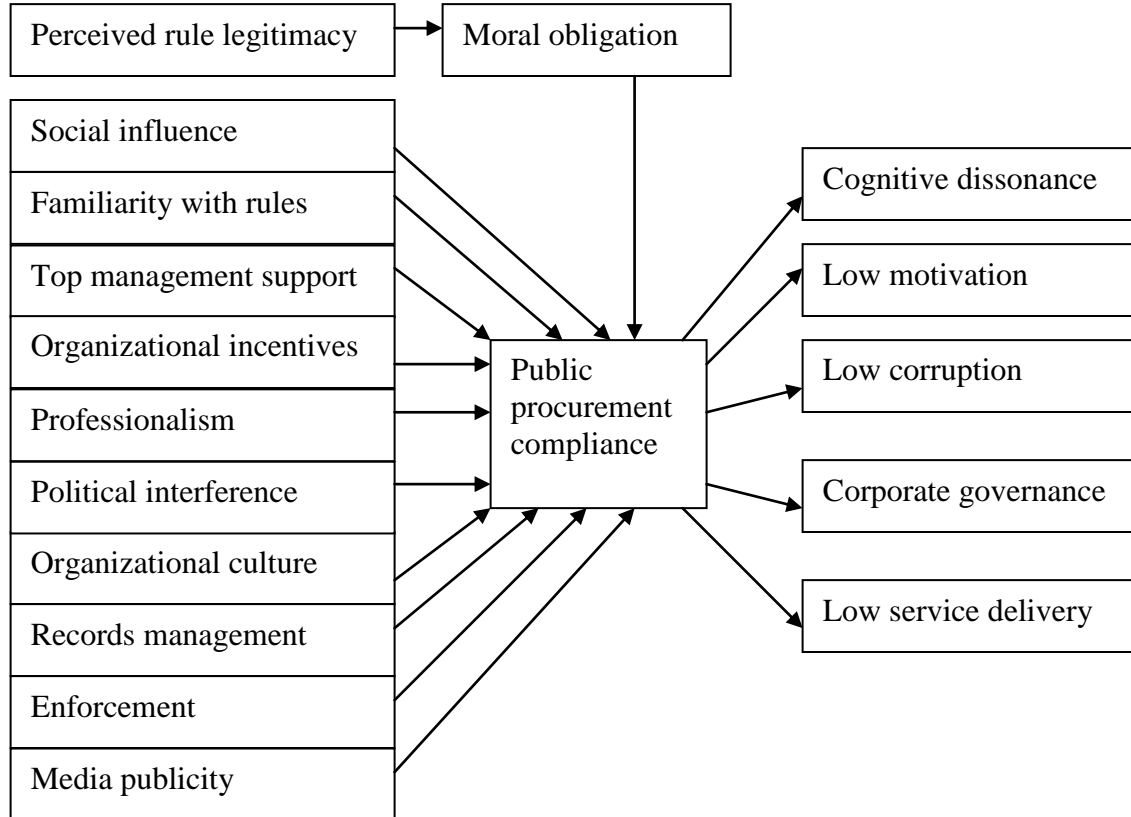
**Corporate governance:** Corporate ownership and governance structures depend on corporate conventions and rules of behavior (Lazarides, 2011). According to Collier (2002), corporate compliance equates to corporate governance and refers to the mechanisms by which corporations are directed and controlled, and by which those who direct and control corporations are monitored and supervised and made accountable for their actions. Collier (2002) further maintains that enforcement has a greater regulatory impact beyond the violators and reminds directors and others involved in corporate management of their responsibilities and the risks attached to a failure to fulfill those responsibilities. Imperato (2005) also argues that enforcement action aiming at ensuring compliance plays an important role in corporate governance. To ensure that effective corporate governance standards are employed and corporate scandals are best prevented frequent monitoring and enforcement should be ensured (Proimos, 2005). Anecdotal evidence suggests that in order to enhance the level of corporate governance in Africa, there should be a simple ideal regulatory process. This should consist of setting the rules and effectively monitoring compliance and enforcement (Okeahalam, 2004). Similarly, Eyaa and Oluka, (2011) stated that hinging on some theorists, complying with the new procurement and disposal law automatically improves governance. It is further argued that compliance should go beyond merely obeying applicable laws and regulations and should extend to complying with principles of good governance (Zubcic and Sims, 2011). It was also asserted that the external drivers of good corporate governance are laws, rules and institutions that provide a competitive playing field and discipline the behaviour of managers and shareholders (Okeahalam, 2004). Thus, we propose as follows;

*P16: Public procurement compliance improves corporate governance*

**Service delivery:** Regulated procurement frameworks are procedurally costly, slow to adapt to changes and they erode the skill requirements of procurement officials, thereby undermining professionalism (Schapper et al; 2006). As government departments operate within a framework of public accountability and cost effectiveness, considerable emphasis is placed on the fair treatment of suppliers, compliance, competitive tendering and procedures for ensuring propriety and regularity, hindering the development of collaborative procurement arrangements (Erridge and Greer, 2002) as cited in Roodhooft and Abbeele(2006). This retards service delivery because according to Muhwezi, (2009) collaborative purchasing is vital for service delivery. The requirement for compliance reduces the authority and discretion a government official has over matters (Zimmerman, 2001). Since public organisations due to their bureaucratic culture emphasize rules, procedures and stability, they lack orientation towards productivity and efficiency (Parker and Bradley, 2000).The requirement for compliance in public procurement limits employee discretion. As suggested by Raymond, (2004) discretion is essential to organizational effectiveness and if too severely limited, it can make the official's task needlessly complex and service inefficient and more costly. Organizations with rationally based compliance cultures utilize external motivation to achieve compliance outcomes and do not encourage 'beyond compliance' organizational conduct that restricts social responsiveness. According to Trepte (2005), stricter regulation hinders the efficiency of the procurement. As cited by Obanda (2010), Kovacic (1992) observes that, it is conceivable that public procurement increasingly will become the province of firms whose distinguishing trait is not superior capability in production or service but skill in comprehending and responding to the governments' regulatory command. In Uganda, compliance requirements according to the PPDA Act (2003) and regulations (2003) call for lengthy procedures especially in open bidding methods that delay service delivery. Thus, we propose that;

*P17: Public procurement compliance reduces service delivery*

**Figure 1: Proposed conceptual model**



### **3. Methodology**

This study was theoretical and based on the review of previous literature to develop research propositions that culminated into a conceptual framework. Being theoretical, this study did not follow a rigorous methodology (Cumming and Findlay, 2010). Its arguments and conclusions are however drawn from secondary sources of information through an extensive review of scholarly literature relating to compliance in general and public procurement compliance in particular. Use was also made of various documents such as procurement and audit investigation reports, World Bank reports, OECD, PPDA compliance check reports, PPDA Baseline survey reports, PPDA Capacity Building Strategy Report, African Peer Review Mechanism Country Review (APRM) Report, transparency international etc. We obtained literature from databases such as Emerald, PPDA website, UNDP websites, World Bank etc and we used Google to access the free access journal articles. Considering that good research should be grounded in theory (Mentzer et al., 2008) as cited in Defee et al; (2010), this paper utilized the institutional theory, socio-economic theory, principal agent theory, cognitive dissonance theory and legitimacy theory which helped in identifying the variables that were considered antecedents and consequences of public procurement compliance. Thereafter, seventeen (17) research propositions were developed Twelve (12) of which were antecedents and five (5) were consequences. The variables in these propositions were combined into a single conceptual model of the antecedents and consequences of public procurement compliance as proposed in Figure 1.

### **4. Discussion**

This study contributes to the ongoing debate on compliance in public procurement. The study revealed that moral obligation and social influence affect compliance. It was however noted that the willingness to comply because of moral obligation and social influence is based, among others on the perceived legitimacy of the authorities charged with implementing the regulations (Sutinen and Kuperan, 1999). The study also revealed that effective media exposure raises public awareness of corporate wrongdoing and leads to compliance (Borden, 2007). The study further presented organizational culture as a hindrance to reforms and that culture plays a central role in the compliance process and associated outcomes (Lisa, 2010). An organisation with a culture of compliance will motivate public procurement employees to comply with the rules. Effective records management was also found out to increase public procurement compliance since it improves transparency and accountability and is the basis of procurement audits and investigations. Records management was also found to facilitate enforcement that also increases compliance. Owing to the principal agent relationship prevailing between procurement staff and political heads in organisations, procurement staffs are likely to work under the influence of politicians leading to non-compliance. It was also found out that lack of professionalism was high amongst public procurement officers (Basheka and Mugabira, 2008; PPDA Audit Report 2008) and this leads to non-compliance (De Boer and Telgen, 1998). The study also found out that purchasers are not completely clear about the rules and this lack of clarity increases non-compliance. It was also found out that when top management initiate and support compliance, it would spread in the entire organisation. The study further found out that organizational incentive in form of rewards, penalties and sanctions improve public procurement compliance. Although, it was argued that in order to create a significant impact, penalties should be too high, Gelderman et al; (2006) asserted that more impact could be expected from the internal incentives established by the organisation. This study also revealed that although public procurement compliance is likely to strengthen corporate governance and minimize corruption, it is also associated with negative consequences such as cognitive dissonance as a result of forced compliance which leaves employees in unstable situation, delayed service delivery due to bureaucratic procedures and low employee motivation as a result of lack of discretion imposed by rules.

### **5. Conclusion and Recommendations**

The role of public procurement in socio-economic growth and development of both developing and developed economies is no longer questionable. Despite this, reforms aiming at enhancing efficiency of public procurement have been grossly undermined by rampant corruption and non-compliance behavior. Due to the scantiness of studies on organizational misbehaviours and public procurement compliance, this study developed a comprehensive conceptual framework of the antecedents and consequences of public procurement compliance. There are limited (if any) studies that have attempted to incorporate these

variables in a single framework. The proposed conceptual framework will facilitate future researchers who choose to conduct empirical studies on public procurement compliance in Uganda and other geographical contexts. This will also be of significant benefit to policy makers in understanding how to improve public procurement compliance and reduce the negative consequences of non-compliance. By enhancing compliance, vast resources usually lost through non-compliance and corruption in public procurement will be saved. This study also revealed that public procurement rule compliance generates a mixture of both negative and positive consequences. The proposed conceptual model will guide management and policy makers in ensuring compliance in public procurement while minimizing its negative consequences such as slow service delivery due to bureaucratic delays, low employee motivation due to deprived discretion imposed by procurement rules and cognitive dissonance emanating from forced compliance.

**Limitations and directions for further research:** Like any other study, this study has some limitations. For example, the current proposed model did not incorporate all the variables that influence public procurement compliance. Future research should increase the scope and go beyond the proposed framework by incorporating other variables such as implementation, organizational reforms, job rotation and Information and Communication Technology (ICT). Secondly, this study was theoretical and did not empirically test the nature and strength of the relationships between the antecedents and public procurement compliance and its consequences. Future research should conduct an empirical investigation to test the nature and strength of these relationships. Future empirical studies should also adopt quantitative analysis such as regression analysis in order to ascertain the variation in public procurement compliance that is explained by its proposed antecedents in the conceptual framework.

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