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SUPPLIER DELIVERY PERFORMANCE IN UGANDAN PUBLIC PROCUREMENT CONTRACTS

Joseph M. Ntayi, Irene Namugenyi and Sarah Eyaa*

ABSTRACT. The purpose of this paper is to develop a comprehensive framework of achieving supplier delivery performance based on contract governance mechanisms, justice perceptions and ethical behavior using cross sectional survey data from public procuring and disposing entities (PDEs) in Uganda. Public procurement contract governance covers the design, development, implementation and enforcement of contracts. It serves to align interests of the contracting parties, reduce opportunistic behavior, lower transaction costs, promote justice perceptions, improve ethical behavior and achieve value for money procurement. Poorly managed procurement contracts result in conflicts, yet in many developing countries only rich suppliers can afford to resolve disputes through courts. For other suppliers, justice is out of reach. While it has been assumed that contracts result in good performance, little research has been carried out to corroborate this assumption. In this paper we provide theoretical, empirical and policy implications of supplier delivery performance.

INTRODUCTION

Contracts are an essential component of any public procurement transactions and they have long provided the terms, pricing, service

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levels and quality requirements in a contractual relationship. Contracts help to infuse order, mitigate conflict, reduce the frequency at which contracting parties are exposed to inherent risks and realize mutual gains from trade. Public procurement contract governance mechanisms serve to align interests of contracting parties, shrink information asymmetry and reduce the potential of being subjected to opportunistic behavior like distorting data, obfuscating issues, and cutting corners, among others (Ross & Goulding, 2007). Williamson (1979) observed that the existence of widespread opportunism in business transactions is responsible for the emergence of firms which exist to reduce the threat of opportunism, or behavioral uncertainty of exchange partners, that occurs in market transactions (Williamson, 1985).

Williamson (1979) contends that a world without opportunism would not require a sophisticated contractual governance mechanism, but only a general clause, to which both parties would agree, to behave responsibly rather than seek individual advantage when an occasion to adapt arises. Additionally, Williamson (1991) argues that increases in exchange hazards lead to the greater use of contractual governance mechanisms. In order to mitigate risks arising from contractual relationships, firms use formal contractual governance mechanisms to structure their relationships (Poppo & Zenger, 2002). Despite this practice, however, the implementation of contractual governance mechanisms in Uganda is problematic due to the widespread public procurement malfeasance which has adversely affected contract negotiation, signing and contract management (National Public Procurement Integrity Baseline Survey Report, 2006). Additionally, the Public Procurement and Disposal of Assets Authority (PPDA) Annual Audit Reports from Uganda reveal that since the introduction of the Public Procurement and Disposal of Assets (PPDA) Act in 2003, procurement and disposal units in the public procuring and disposing entities (PDEs), have not put in place proper contract governance mechanisms to reduce opportunism and the related transaction costs (PPDA, 2006; PPDA, 2007). This behavior undermines the provisions of regulation 258 of the PPDA Regulations (2003) which mandates user departments of procuring entities to have a contract manager to prepare a contract implementation plan and forward it to the procurement and disposal unit for monitoring purposes.

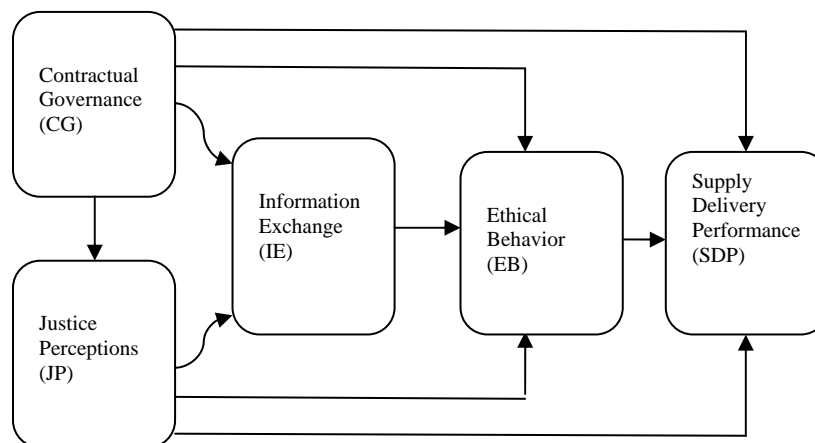
Ugandan public procuring entities do not have complete information about the progress of the procurement process, status of implementation of the procurement contracts, the number of procurement contracts awarded to service providers and the performance levels of service providers who have been awarded contracts in the past (PPDA, 2005). The PPDA Audit Reports have further revealed that some of the contracts under implementation in the various PDEs are not on file. This complicates the implementation, monitoring and assessment of contracts and promotes opportunism and loss of money. The body responsible for Public Procurement and Disposal of Assets Authority in Uganda has identified a lack of contract monitoring plans as a major cause of failure for contractual partners to detect and rectify deviations from the initial specifications on time (PPDA, 2004).

To be able to diminish performance ambiguity and ensure supplier delivery performance, there is a clear need for adequate quantitative information on contract governance in Uganda. What exists is piecemeal, which needs to be corroborated with a scientific study. Additionally, while it has been assumed that contracts result in improved performance, outside the economics literature, empirical studies of contracts to corroborate this assumption are rare. Management scholars and sociologists largely ignore contracts, both in theoretical and empirical analysis (Argyres, Bercovitz & Mayer, 2007). In this study, we attempt to provide a new lens of organizational theory through which to view contracts. This will help us to understand the multiple purposes of contracts contrary to economic theories of contracting which focus on mitigating *ex-post* opportunism (Argyres et al, 2007; Dewatripoint & Bolton, 2004; Suchman, 2003). Contracts are a worthy object of study using organizational theories because contracts often are created by organizations, and in turn, each contract creates a new organization (Bechky, 2003). Thus, analyzing contracts allows us to tell different theoretical stories about organizations, more so of public entities in a developing world context. The purpose of this study is to provide a multi-level investigation of contract governance, justice perceptions, information exchange, ethical behavior and supplier delivery performance in Ugandan public procurement contracts.

LITERATURE REVIEW AND THE DEVELOPMENT OF THE CONCEPTUAL MODEL

This section presents a critical review of the related literature on contractual governance mechanisms, justice perceptions, information exchange, moral principles and ethical behavior. This review of literature uses an organizational theory perspective to construct hypotheses that are later tested in this study. A conceptual model linking variables of interest presented in Figure 1 is derived and tested in this study.

FIGURE 1
Conceptual Model for Supply Delivery Performance in Public Procurement Contracts



$$f(\text{SDP}) = \beta_0 + \beta_1 \text{CG} + \beta_2 \text{JP} + \beta_3 \text{IE} + \beta_4 \text{EB} + \varepsilon$$

Organizational Theory and Contractual Governance Mechanisms

A number of internal and external dynamic exchanges between organizations and organization members are critical to the survival of institutions (DiMaggio, 1998; DiMaggio & Powell, 1991; Ntayi, Byabashaija, Eyaa, Ngoma & Mulira, 2010a). These exchanges point towards a multiplicity of behavioral regularities that feed into organizational design. Organizational design is an important process that provides governance structure, strategy and systems. The design process involves determining organizational goals and

objectives, designing appropriate strategies to achieve these goals and objectives and agreeing on the appropriate governance structures for implementing strategy. It ensures proper identification of suppliers who are a competitive asset to organizations. This is an important activity for both profit and nonprofit organizations because of the increased pressure to reduce public spending and improve service delivery. The above observation has drawn support from OECD (2002, p. 7) which states that “the voices for transparency, integrity and accountability have demanded the public service not only to deliver improved service delivery, but also demonstrate value-for-money in public expenditures, fight against corruption in service delivery, observe meritocratic principles in human resources management, and greater participation from civil society”. It is movement against such pressures that hastened the introduction of result-oriented management (ROM) in the Uganda public service reform programme in 1997. The quality of service delivery depends mainly on availability of suppliers. Extant literature has shown that competitive organizations create competitive advantage by acquiring unique supplies and/or resources from suppliers and produce products and services needed by their customers. This is supported by the common business philosophy that a customer is a king (Drucker, 1954). Customer needs usually set the competitive drive and pace in any industry. Contracts therefore become an inevitable instrument in securing resources necessary in capturing future rents (Conner, 1991). Despite this observation, contract scholars largely ignore organizational theory when studying contracts. This means that most studies on contracts miss significant ideas about the strategic purpose of contracts (Akerlof, 1970), yet organizations have a better understanding of what problems to look for when contracting and how much progress to expect from suppliers (Akerlof, 1970). This argument supports the strategic importance of resources.

Proponents of the Resource -Based View (RBV) argue that organizations require resources to gain sustained competitive advantage. They further assert that any firm that wants to develop competitive advantage must devise a mechanism of restraining competitors from mimicking a firms’ resource base in the form of physical capital, human capital and organizational capital (Barney, 1991). Barney characterized physical capital in terms of plant and equipment while organizational capital constitutes resources

embedded in a firm's routines, leadership structure, or other design-oriented features. With respect to the topic of contracts, organizational capital includes the formal and informal relations formed by firms (Barney, 1991). The RBV suggests that lawyers serve as strategic advisors, helping organizations to explore and acquire resources that (potentially) create value and ensure prevalence of justice in economic transactions (Ntayi, 2010a, Ntayi, Munene & Eyaa, 2010b). The value of lawyers in such business transactions is a result of the implicit or explicit assumption of material self-interest documented in the social science literature (Bazerman, 1998; Miller, 1999; Cropanzano, Byrne, Bobocel, & Rupp, 2001a). The importance of justice in an economic transaction can be traced from equity theory. Early scholars on equity theory believed that people who are privy to a transaction obey rules of equity because it offers the most advantageous long-term payoffs (Hatfield, Walster, & Piliavin, 1978; Walster, Walster, & Berscheid, 1978). This kind of thinking tends to support the social exchange approaches that assume that resource transactions are guided by a set of rules such as reciprocity or equity (Gergen, 1969; Blau, 1986). It is against this thinking that contract governance mechanisms find fertile ground in the organizational theory literature. Contract governance is the means by which contracting parties consent to introduce order in their business dealings with an intention of diminishing conflict and to realize reciprocal gain. Contracts, as a governance mechanism, are designed to attain two main objectives: (1) delineate authority-responsibility structure; and (2) share risk among contractual partners (Ghosh and Fedorowicz, 2008, p.459). Contractual governance rules therefore guarantee favorable long-term advantages. From the foregoing, we can therefore hypothesize the following:

Hypothesis 1: Contract governance results in supply delivery performance.

Another stream of organization theory research that has a significant bearing on contracts is from organizational learning literature. This posits that the design, development, implementation, monitoring and enforcement of contractual provisions are a result of an organizational learning process (Smith & King, 2006). Contracts are both inputs to learning processes and outcomes of learning. As inputs, contracts may assist organizations in developing incremental changes in their structure. As outcomes, contracts are routines that

are learned through experience with relational contracting and that contribute to organizational inertia (Smith & King, 2006, p. 33). It is against this background that governance mechanisms play a critical role in information sharing among contractual partners. This view is supported by Ghosh and Fedorowicz (2008) who demonstrated that a contract was a critical construct supporting the governance of information sharing and material flow coordination in supply chains. Lee, So and Tang (2000) and Simatupang & Sridharan, (2005) have likewise described the strategic importance of information among collaborating partners. They, for instance show that a flow of real time information is necessary to enable coordination of activities at every stage of the supply chain. They aver that sharing of real-time, partner-specific data enables more accurate planning. From the foregoing we can hypothesize the following:

Hypothesis 2: Contract governance results in justice perceptions and information exchange.

Another stream of research which has gained widespread acceptance among organizational theorists is from the social identity theory (Tajfel & Turner, 1986; Ashforth & Mael, 1989; Whetten & Mackey, 2002). The theory explores issues of inter-group discrimination among individuals and applies it to organizational settings (Tajfel & Turner, 1986). Social identity theory is considered to be the central, enduring, and distinctive character of an organization that facilitates coordination, communication, and learning. A stream of research from marketing has shown that organizations with confused personalities are not visible to customers. This means that “formulating a coherent personality is essential to any organization’s survival” (Kogut & Zanger, 1996, p. 34). Contracts offer organizations a unique opportunity to express their primary identity requirements: continuity and distinctiveness.

Contractual Governance Mechanisms and Ethical behavior

Contractual governance is a derivative construct of transaction cost economics (TCE) which focuses primarily on the costs involved in making transactions. Transaction cost economics emphasizes the elements that govern transactions. Contractual governance mechanisms can be defined as using contracts as a mode of organizing to specify terms and align incentives for transactions between firms (Williamson, 1991, Macneil, 1978). Contractual

governance is viewed in terms of the design of the contractual mechanisms supporting an economic transaction where there is an exchange of property rights. If governance mechanisms are not sufficient, however, contracting firms might find themselves on downward spirals of unsatisfactory buyer-supplier relationships, becoming hollowed-out failures in their business transactions.

Given the strategic importance of resources supported by the resource-based view theory, contracts play a critical function in facilitating transactions (Klein, Crawford & Alchian, 1978). They specify each party's contractual obligations in terms of roles, performance expectations and dispute resolution mechanisms (Poppo & Zenger 2002). According to Williamson (1985), a contract restrains a contracting party's ability to extract supplementary rents from the other party by failing to perform as agreed. This however may be difficult to avoid since Simon (1985) has revealed that all complex contracts are unavoidably incomplete. Therefore, it is advisable for parties involved in a contractual undertaking to monitor compliance of ongoing activities with the terms of the contract (Macneil, 1978; Williamson, 1979). Such monitoring is extremely necessary with a complex and costly contract that places organizational resources at risk (Klein et al., 1978 and is even more needed if contracting individuals are motivated by self-interest with guile. Costs associated with this unethical behavior can be reduced if organizational interactions are based on a gradual development of trust, thereby helping firms to lower transactions costs. Extant literature has cited lack of trust as one of the reasons why performance of economic exchanges diminishes (Sahay, 2003). Trust reflects the confidence of one party in a two-way relationship that the other party will not exploit its vulnerabilities (Sako, 1991; Svensson, 2001). This leads to our third hypothesis:

Hypothesis 3: The greater the unethical behavior in a buyer-supplier relationship, the more contractual governance mechanisms will be used (H₃).

Justice Perceptions, Information Exchange and Ethical Behavior

Literature recognizes organizational justice to provide economic benefits, validate close interpersonal relationships, and uphold moral principles. Justice perceptions guide partners in exchange relationships since they try to get the most possible in their

interactions with others (Dawes, 1994; Wade-Benzoni, Tenbrunsel, & Bazerman, 1996). Given these views, analogies drawn from self-interested accounts of organizational justice can make valuable contributions to business contractual relationships. Using interview data from a group of children, Damon (1977) demonstrated that when faced with an actual decision task, children were more self-interested than when they were describing a hypothetical allocation. These findings have been corroborated by results from Ordonez, Connolly, & Coughlan, (2000) who have proved that adults can behave like Damon's (1977) children. Borrowing views from game theory, we can infer that execution of meaningful business transactions and/or exchanges requires an offering player to maintain at least the appearance of justice. Otherwise, subsequent offers may be refused, thus affecting the competitiveness, longevity and performance of the firm negatively. Game theory attempts to mathematically capture behavior in *strategic situations*, in which an individual's success in making choices depends on the choices of others (http://en.wikipedia.org/wiki/Game_theory, retrieved on Tuesday June 22, 2010). This implies that even in situations of selfishness, firms need to demonstrate justice and/or fairness. This puts additional pressure on firms to manage impressions, attempting to appear as just as possible in order to maximize their benefits (Greenberg, 1990). Compliance of ongoing activities pertaining to a contractual undertaking in a buyer-supplier relationship requires continuous information sharing (Macneil, 1978; Williamson, 1979; Shaw, Wild & Colquitt, 2003). This is consistent with Shaw et al., (2003) who reveal that informational justice is of strategic importance in business exchanges. Holmstrom & Roberts (1998, p. 80) report that Japanese subcontracting uses "long-term close relations supported by careful monitoring, a two-supplier system (as at Toyota), rich information sharing, so as to deter automakers from behaving opportunistically, a supplier association, which facilitates communication...and [strengthens] reputation [effects]." Shaw et al. (2003) contend that informational justice is characterized by providing a sincere and reasonably complete explanation related to a supply delivery including but not limited to making excuses for failure to deliver as per contractual obligations, regarding required changes to a contract in case a supplier or buyer faces a challenge or rejections to a delivery due to failure to comply with contractual clauses and/or specifications. This in a way promotes perceptions of

fairness regarding the bases of the adverse decision. Ntayi et al. (2010a) corroborating the findings of Tyler & Lind (1992) using data from Uganda have demonstrated that perceptions of injustice for powerless small/medium enterprises (SMEs) create more marginalized, hostile, and punishing feelings toward the source of the unsatisfying outcome. When faced with this situation, powerless SMEs in Uganda reacted by silently withdrawing from the buyer-supplier relationship (Ntayi et al., 2010a). Generally, perceptions of injustice have been shown to predict deviant reactions (Beugre, 1998; Folger & Cropanzano, 1998; Greenberg, 1996; Greenberg & Colquitt, 2005; Greenberg & Cropanzano, 2001; Vardi & Weitz, 2004). We therefore hypothesize the following:

Hypothesis 4: Rich information sharing deters buyers and suppliers from behaving unethically (H₄).

Hypothesis 5: Perceptions of justice promote ethical behavior (H₅).

Justice and Moral Principles

The development of a deontological model of justice, which is also referred to as moral virtues (Folger, 1994) has created a research gap requiring scholars to examine the link between justice perceptions and ethical behavior (Folger, 1998, 2001). Previous attempts to link the two variables have been characterized by inconsistent and inconclusive results. The deontological model which advocates for moral principles purports that people do not always pursue selfish motives, but they may hold a collective concern that all people be treated fairly. However, this view is contrary to the views advanced by the instrumental model of justice which advocates for the notion of self-interests (Konovsky, 2000). Proponents of the instrumental view generally draw their inspiration from the economic rationality theory. This theory presupposes that transactions between human beings are motivated by maximization of self-interest. A theory of economic rationality proposes that human beings attempt to maximize self-interest, by considering the likely success of the net value. This net value is an outcome of weighting costs against benefits. Another instrumental approach to justice involves the social exchange theory (Tyler & Blader, 2000). Social exchange was largely a self-interested matter (Gergen, 1969), although this was not necessarily true for all human behavior (Blau, 1986). All approaches to the social exchange theory

assume that resource transactions are guided by a set of rules, such as reciprocity or equity which guarantees favorable long-term advantages. The classic social exchange and economic rationality are compatible frameworks in that they share a common assumption that self-interest is the ultimate driver of human behavior (Dawes, 1994).

Batson (1991) and Greenberg (2001) have suggested that "moral" choices may be driven by the positive feelings one gets from behaving in accordance with moral standards, as well as by the negative feelings that occur when one violates important ethical standards. Since the ultimate goal is a good feeling, then it might be plausible to view all just behaviors as self-interested. This is contrary to organizational justice research which has focused so heavily on self-interested motives for fair and unfair behavior that it has circumvented necessary attention away from the moral motives that influence justice. Folger (1994; 1998; 2001), Miller (1999) and Montada (1998) have demonstrated that the "ought" forces of just behavior have largely been ignored despite arguments made by the broader research community. In other words, we have lost sight of how justice relates to morality. In this study we attempt to bridge this gap by attempting to study this link in a buyer-supplier contractual relationship. We therefore hypothesize the following:

Hypothesis 6: There are no significant differences between groups of procuring and disposing entities on contract governance, justice perceptions, information exchange, ethical behavior and supply delivery performance (H_6).

METHODOLOGY

Research Design, Setting and Data Collection

A sample size of 89 out of 116 public procuring and disposing entities (PDEs) were selected for the study following Krejcie & Morgan's (1970) guidelines of sample size determination. A proportional sampling approach was adopted in determining eleven (11) commissions, nine (9) hospitals, twenty (20) ministries and forty nine (49) parastatals that constitute PDEs. In this study we planned to examine 10 randomly selected contracts entered into by each of the public procuring and disposing entities in the last five years, totaling 890 contracts. The issues under investigation required the investigators to identify both the buyer and supplier for each contract.

The unit of analysis for this study was a contract. It was necessary to interview both buyers and suppliers in order to corroborate the results and obtain balanced data relevant for this study (Public Procurement and Disposal of Assets Authority, 2007). For each buyer and supplier, officers from the procurement department or individuals familiar with contracts or members who had participated in managing procurement contracts were contacted and interviewed. We obtained data using both structured and unstructured questionnaires. A total 1780 structured questionnaires for the 890 contracts were administered of which six hundred (600) useable questionnaires for 300 contracts were returned, representing a response rate of 34%, which we regard as extremely good given the sensitivity of the subject matter under investigation. To obtain sensitive information, we used in-depth interviews. This enabled us to establish a credible and trusting relationship with both PDEs and their suppliers. Interviews were confidential and we assured suppliers that they would not be identified to their buyers and vice-versa. Data were collected in person at each data point. Respondents in each PDE were informed their participation was voluntary.

Measurements, Validity and Reliability

Contractual governance measurement scales were derived from item scales that have in the past measured the amount of contractual governance mechanisms used in a buyer-supplier relationship. Public procurement contract governance covers design, development, implementation and enforcement of contracts. We measured contractual governance as the extent to which certain formal control mechanisms were used in the contractual relationship. Drawing on Makhija & Ganesh (1997), Das and Teng (1998), and Sitkin (1995), our measures were constructed as an unweighted index based on the following mechanisms: business plans, performance indices, designs of contract, commencement of contracts, type of contracts, pricing and payment of contracts, economic efficiency calculations, reports, service level agreements, contract management, service level contents, feedback plans, communication plans, measurement charters, conflict arbitration charters, enforcement plans and anticipated change plans. We additionally borrowed heavily and adapted to the buyer-supplier context the four-item scales by Ferguson, Paulin and Begeron (2004). The item scale examined contractual governance, or the extent to

which legal ties were implemented in the exchange. The items reflected the extent to which the exchange relied on the application of contract specifications, and used the contract stipulations in disagreements. The specific items were “relationship governed by rules and regulations of contract,” “we would find satisfactory solution to disagreement, whether it is based on the agreement or not,” “contract adapted to company’s specific needs” and contract changes as client’s business changes.” The use of each in the contractual relationship was measured on a 5-point scale ranging from 1=“not at all” to 5=“to a large extent.” Results yielded a mean score of 3.66 and a standard deviation of 0.340. The Cronbach alpha measure yielded a reliability coefficient of 0.83 confirming that the item measures were reliable.

Measurement for justice perceptions were derived from an extensive review of literature. In approaching measurement of justice perceptions in buyer-supplier contractual relationships, two perspectives on justice emerged. The first is associated with outcomes actually achieved in a contractual undertaking while the second is associated with the process used to manage the exchange relationship (Maxwell, Nye & Maxwell, 1999). Consistent with Hertel, Aarts and Zeelenberg (2002), Maxwell et al.(1999) study used these two types of justice to identify how fairly one exchange partner treats another in a contractual relationship. Item scales for perceived fairness of price or exchange outcomes were consistent with the *principal* of dual entitlement and equity theory (Maxwell et al., 1999; Martins & Monroe, 1994). Item scales were anchored on a Likert five point scale with 5=strongly agree, 4=agree, 3= neither agree nor disagree, 2=disagree, 1=strongly disagree, 0=don’t know. Thus, the higher the score, the more compliant the exchange partner is perceived to be with contractual obligations in each of the areas covered. The computed mean index for justice perceptions yielded a middling mean score of 3.11 and standard deviation of 0.54. This measure yielded a Cronbach alpha reliability coefficient of 0.78

Ethical behavior was measured using the validated ethical behavior scale developed by Newstrom and Ruch (1975) and used by Ferrell and Weaver (1978). This scale consisted of 102 questions. The scale were compared against scales used by Kantor and Weisberg (2002) and Ntayi (2005). We preferred to modify the Newstrom and Ruch (1975) items because they were more

comprehensive and more specific. Respondents were asked to respond on a five point anchored Likert scale ranging from 1 (very ethical) to 5 (very unethical) for each negatively phrased attitude item. The measurement for each positively phrased behavior ranged from 1 (very unethical) to 5 (very ethical). Ethical behavior had a mean of 2.20 and standard deviation of 0.68. This is an average with ethical behavior tending towards the unethical. The Cronbach alpha coefficient for ethical behavior was 0.85.

The information exchange measurement section relied on the Kersi and Gary (2001) measures. Sample item scales involved questions like In this relationship, it is expected that any information that might help the other party will be provided to them; Exchange of information in this relationship takes place frequently and informally; It is expected that the parties will provide proprietary information if it can help the other party; and It is expected that we keep each other informed about events or changes that may affect the other party. These questions were anchored on the five point Likert scale with 5=strongly agree, 4=agree, 3= neither agree nor disagree, 2=disagree, 1=strongly disagree, 0=don't know. The Cronbach alpha coefficient for information exchange was 0.86.

Measures for supply delivery performance were derived from literature. A critical review of literature examined the dimensions of the construct. The lead time attributes were derived from Stewart (1995), the time order fill was obtained from Christopher (1992) while inventory level dimensions were from Novich (1990). Additional item scales for on-time delivery, delivery reliability, order completeness, delivery speed delivery reliability, quality of goods provided by the supplier, frequency of delivery, number of faulty deliveries, and conditions under which supplies were received were added to the questionnaire (Novich, 1990). Responses to supply delivery measures yielded a Cronbach alpha reliability coefficient of 0.90.

RESULTS AND DISCUSSION

Findings of this study reveal that parastatals constituted 55.6% of the respondents, followed by ministries at 25.5%, commissions at 15%, and hospitals at 2%. Public entities that employed 101-500 employees amounted to 41.8%. Public procuring and disposing entities (PDEs) employing less than 100 employees constituted

39.2%, while 8.8% of the respondents employed 501-1000 personnel. PDEs with over 1000 employees were 8.2% of the respondents. The overall mean and standard deviation for the number of employees was 1.84 and 0.91 respectively. The category of PDEs studied included government ministries (code1), commissions (code 2), parastatals (code 3) and hospitals (code 4). The overall mean of PDEs was 2.32 and a standard deviation (SD) of 0.88.

The means, standard deviations and Pearson correlation for contract governance, justice perceptions, information exchange, ethical behavior and supply chain performance are presented in Table 1. Means and standard deviations for the constructs under study revealed that contract governance mechanisms in public entities exist (Mean = 3.66, SD = .34). This finding reveals that PDEs pay attention to ex-ante contract governance mechanism in general, although they may not be able to anticipate ex-post contract governance outcomes. The overall mean for justice perceptions (Mean = 3.11, SD = .54) shows that procurement contract personnel partially believe that there is widespread injustice in procurement

TABLE 1
Zero-Order Pearson Correlations and Descriptive Statistics

	Mean	S.D	1	2	3	4	5
Contract Governance (1)	3.66	.34	1.00				
Information Exchange (2)	2.16	.95	.255**	1.00			
Justice Perceptions (3)	3.11	.54	-.298**	-.371**	1.00		
Ethical Behavior (4)	2.20	.68	-.213**	.522**	-.485**	1.00	
Supply Delivery Performance (5)	3.98	.40	.359**	.164**	-.463**	-.547**	1.00

Notes: ** correlation is significant at the 0.01 level;
* correlation is significant at the 0.05 level.

contract governance. Justice refers to the degree to which processes and outcomes of the procurement contract are regarded as fair by the contracting parties. Overall procurement officers in the PDEs do not have the conviction that suppliers should be given fair treatment both morally and technically in order for them to deliver high performance and the reverse is true. The absence of information exchange (Mean = 2.16, SD= .95) seems to characterize public procurement contracts. Quite often procuring entities do not provide timely information to their suppliers concerning buyer obligations like delays in payments. Surprisingly suppliers behave in a similar fashion by failing to provide information on the challenges affecting their ability to deliver supplies in accordance with contractual terms. These factors include but are not limited to changing economic conditions, changing market prices, cash flow constraints, quality of the supplies, making good improper supplies as revealed by the results obtained from open ended questions contained in the survey instrument.

Descriptive statistics in Table 1 further reveal the existence of unethical behavior for both procuring entities and suppliers (Mean = 2.20, SD=.68). For example, suppliers were observed to provide misleading information about the quality of their supplies, ability to supply smoothly, financial and technical abilities, reputation and record of their past performance. Suppliers were motivated by their desire to win the contract to supply goods and services and not necessarily concerned whether they would be able to perform as per contractual obligations or not. These findings are similar to those of Fafchamp (1996) in a study involving Ghanaian firms. Fafchamp revealed that Ghanaian firms made promises that they never intended to fulfill. This finding is further supported by Ntayi et al. (2010a) who revealed a high number of Ugandan firms that were involved in lying by altering facts and being opaque. Kiryabwire (2010) confirms Ntayi (2010a) by stressing that if people enter contracts without the intention of keeping the promises they make or abiding by the terms therein, then the enforcement of that contract may be aborted leaving the offended party with little to do but to mitigate the loss and bury the contract. Ntayi et al. (2010a) have used evidence from SMEs to prove that suppliers would do anything in their means to further their self-interests. Quite often contracts are rarely referred to by both buyers and suppliers during the delivery of supplies. Additional evidence from in-depth interviews reveals that such a practice usually results in payments for incorrect deliveries or

for no deliveries made to PDEs. A considerable number of supplies to public institutions contain “air.” The term “air” refers to a situation where either insufficient deliveries or none are made, yet the paperwork and/or records are properly written indicating that deliveries were made. Results from qualitative interviews further revealed significant surprising characteristics of these contracts. They are characterized by situations in which officials of public procuring entities hold informal meetings and negotiations outside the official procurement process and agree to alter the contractual terms. This process undermines the efforts of PPDA and results in poor contract performance. The study further revealed a buyer –supplier self - reported mean of 3.98, and standard deviation of .40 for supply delivery performance. This means that buyers and suppliers are conscious about the need to fulfill the delivery terms of the contract. Although in most cases deliveries are made, they do not conform to contract specifications. They are characterized by delivering poor and/or defective products. A number of cases illustrate this point. For example, a contract to supply military uniforms to the Ministry of Defense resulted in the delivery of undersized uniforms. A contract with the Ministry of Agriculture, Animal Industries and Fisheries to provide valley dams in western Uganda resulted in the provision of “invisible” valley dams. Additionally civil works contracts (which accounted for 50% of the Commonwealth Heads of Government Budget in November 2007), resulted in poor workmanship, shoddy works, quick wear and tear and invisible “civil works.” In all these cases supply delivery performance was low.

Results presented in Table 1, further reveal that contract governance was significantly positively correlated with supply delivery performance ($r = 0.359$, $p < 0.01$) and information exchange ($r = 0.255$, $p < 0.01$) supporting H1 and H2. Similarly contract governance is significantly negatively correlated with justice perceptions ($r = -0.298$, $p < 0.01$) and ethical behavior ($r = -0.213$, $p < 0.01$), supporting H2 and H3. Information exchange and justice perceptions were significantly negatively correlated ($r = -0.371$, $p < 0.01$). Information exchange was observed to exude a significant positive correlation with ethical behavior ($r = 0.522$, $p < 0.01$) and supply delivery performance ($r = 0.164$, $p < 0.01$) supporting H4. Justice perceptions were significantly negatively correlated with ethical behavior ($r = -0.485$, $p < 0.01$) and supply delivery performance ($r = -0.463$, $p < 0.01$) supporting H5. Lastly ethical

behavior and supply delivery performance were inversely correlated ($r = -0.547$, $p < 0.01$).

We ran a regression model to determine the effect of the independent variables on the dependent variable and the results are summarized in Table 2. The analysis procedure employed here consists of estimating five regression equations and evaluating the change in the coefficient of determination (R^2) in a hierarchical manner conforming to the apparition order of the independent variables as specified in the equation $SDP = \beta_0 + \beta_1 CG + \beta_2 JP + \beta_3 IE + \beta_4 EB + \varepsilon$ (Aiken & West, 1991; Taylor, 1997). Where SDP = Supply Delivery Performance, CG = Contract Governance, JP = Perceptions of justice, IE = Information Exchange and EB = Ethical Behavior. All variables have been tested to ensure that errors caused by the potential problem of multi-collinearity were reduced (Aiken & West, 1991). Table 2 presents the results of the hierarchical multiple regression analysis and the Variance Inflation Factor (VIF) values estimated for the various models. As can be observed, the regression coefficients representing the main effect of contract governance, justice perceptions, information exchange and ethical behavior on supply delivery performance are strongly significant, supporting H1, H2, H3, H4 and H5.

Category of Public Enterprise (PDEs) and number of employees in Procurement and Disposal Unit (PDU) were entered in step 1 as controls and both variables were not significant predictors of service delivery performance with $R^2 = 0.004$, $F(2,193) = 0.394$, $P > 0.05$. Contract governance was entered in step 2 (Table 2) yielding statistically significant increase in R^2 for supply delivery performance ($\Delta R^2 = 0.176$), $F(3,192) = 14.03$, $P < 0.01$). The addition of justice perceptions in Model 3, resulted in a statistically significant decrease in R^2 for supply delivery performance ($\Delta R^2 = 0.085$), $F(4,191) = 17.23$, $P < 0.01$). Information exchange and ethical behavior were added in Model 4 and Model 5 respectively yielding statistically significant results. The information exchange variable predicts 3.8% of the variance in supply delivery performance ($\Delta R^2 = 0.038$), $F(5,190) = 16.53$, $P < 0.01$) while ethical behavior yielded 17.8% of supply delivery performance ($\Delta R^2 = 0.178$), $F(6,189) = 29.21$, $P < 0.01$). The betas confirmed that contract governance ($\beta_1 = 0.42$, $P <$

TABLE 2
Hierarchical Regression Analysis with Supply Delivery Performance as the Dependent Variable (n = 209)

Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Colinearity Statistics	
						Tolerance	VIF
(Constant)	4.04**	2.17**	1.53**	1.06**	2.16**	Na	na
Category of PE	0.06 ns	0.08 ns	0.07 ns	0.06 ns	0.06 ns	.99	1.00
Number of employees	0.03 ns	0.01 ns	0.04 ns	0.02 ns	0.04 ns	.96	1.05
Contract Governance		0.42**	0.39**	0.41**	0.34**	.93	1.08
Perceptions of justice			-0.30**	-0.38**	-0.24**	.77	1.30
Information Exchange				0.21**	0.41**	.70	1.43
Ethical Behavior					-0.52**	.66	1.52
R	.064	.424	.515	.551	.694	na	na
R square	.004	.180	.265	.303	.481	na	na
Adjusted R square	-.006	.167	.250	.285	.465	na	na
F - statistics	.394	14.03	17.24	16.53	29.21	na	na
Sig.	.675	.000	.000	.000	.000		
R Square Change	.004	.176	.085	.038	.178	na	na
F change-statistics	.394	41.15	22.20	10.35	64.83	na	na
Sig F Change	.675	.000	.000	.002	.000	na	na

Note: Standardized regression coefficients are reported.

ns = not significant; ** regression is significant at the 0.01 level; and * regression is significant at the 0.05 level.

0.01) and information exchange ($\beta_2 = 0.21$, $P < 0.01$) were positive while justice perceptions ($\beta_3 = -0.30$, $P < 0.01$) and ethical behavior ($\beta_4 = -0.52$, $P < 0.01$) had a negative sign. The introduction of justice perceptions and ethical behavior in Model 5 diminishes the beta coefficients for contract governance and increases the beta coefficients for information exchange. This means that, the more suppliers perceive the procurement contract governance components of development, implementation, monitoring and enforcement to be unfair, the more they will engage in unethical behavior that

diminishes supply delivery performance. It is at this point that suppliers engage in actions that compromise the quality of supply, increases costs of procurements and delay deliveries. This finding supports the work of Fafchamps (1996) who used Ghanaian firms to demonstrate that African businessmen lacked contract enforcement discipline based on guilt. In a study involving Ghanaian firms Fafchamps (1996) noted that one's ability to feel guilty for failing to respect business promises was absent even when a written contract existed. Ntayi (forthcoming), using data from Uganda, contends that procurement officers' deviant behaviors result from moral disengagement. This is more or less in agreement with Platteau (1994a, 1994b) who has shown that honesty is largely a by-product of one's upbringing, values and religious beliefs.

The study revealed the existence of unethical behavior in buyer-supplier contracts that impacts negatively on the supply delivery performance, which in turn affects service delivery of public enterprises. Results from qualitative interviews revealed that PDEs exhibited unethical behaviors of influence peddling, clannishness, favoritism networks, lying, solicited kickbacks, removing documents from files, fraudulent use of public procurement office, information leaks, promising to do certain things and failing to do them later, self interests and failure to keep word. These unethical behaviors took place amidst pressure to conform to the PPDA Act, public accountability and group pressure influence. Additionally suppliers were observed to exhibit some kind of opaqueness of transactions, thus negatively impacting supply delivery performance. This opaqueness is characterized by lying, altering facts, promising to do certain things and failing to do them later, self interests and failure to keep word.

In order to discover whether there were significant differences between groups of procuring and disposing entities (PDEs) categorized as commissions, hospitals, ministries and parastatals on the perceptions of constructs under study, a one way Analysis of Variance (ANOVA) was run and the results are reported in Table 3. ANOVA was used because we wanted to compare the means of several groups (treatments). These four groups of PDEs, with their different sample mean, simply represent 4 points on the same sampling distribution. If the null hypothesis that the means of the

TABLE 3
ANOVA Descriptive

	# of		N	Mean	S.D	Std. Error	df	F	Sig.
	PDE's	Contracts							
Contract Governance									
Ministry	26	39	78	3.60	.453	.051	3	1.836	.141
Commission	14	23	46	3.62	.330	.049	3		
Parastatals	64	85	170	3.70	.280	.021	276		
Hospital	12	3	6	3.71	.156	.064	276		
Total	116	150	300	3.66	.340	.020	279		
Justice Perceptions									
Ministry	26	39	77	3.08	.540		3	.291	.832
Commission	14	23	46	3.10	.508		3		
Parastatals	64	84	169	3.13	.552		296		
Hospital	12	4	8	3.27	.304		296		
Total	116	150	300	3.11	.537		299		
Information Exchange									
Ministry	26	35	70	2.14	.923		3	.625	.599
Commission	14	22	44	2.24	.887		3		
Parastatals	64	79	158	2.14	.999		276		
Hospital	12	4	8	2.67	.000		276		
Total	116	140	280	2.16	.954		279		
Ethical Behavior									
Ministry	26	33	66	2.18	.719	.088	3	.892	.446
Commission	14	19	38	2.37	.675	.109	3		
Parastatals	64	65	130	2.17	.671	.059	233		
Hospital	12	1	3	2.22	.385	.222	233		
Total	116	118	237	2.20	.683	.044	236		
Supply Delivery Performance									
Ministry	26	34	69	4.02	.410	.049	3	.794	.498
Commission	14	36	39	3.99	.402	.064	3		
Parastatals	64	80	160	3.97	.396	.031	270		
Hospital	12	3	6	3.77	.187	.076	270		
Total	116	137	274	3.98	.397	.023	273		

groups on contract governance, justice perceptions, information exchange, ethical behavior and supply delivery performance are equal is true, then the "between group variance" will be equal to the "within group variance." The "between group variance" (or Mean Square due to Treatments) is an estimate of the variance of the population if the null hypothesis is true. Results reveal that there were no significant differences across all PDEs on their perceptions of contract governance $F(3,296) = 1.836$, $MSE = 0.211$, $p > .05$, justice $F(3,294) = 0.291$, $MSE = 0.085$, $p > .05$, information

exchange $F(3,273) = 0.625$, $MSE = 0.571$, $p > .05$, ethical behavior $F(3,233) = 0.892$, $MSE = 0.417$, $p > .05$, and supply delivery performance $F(3,270) = 0.794$, $MSE = 0.125$, $p > .05$. Hospitals were observed to exhibit a higher mean on the construct of contract governance (Mean = 3.71, SD = 0.156) compared to government ministries with the lowest mean of 3.60, SD=.45).

As we can see, the mean level of contract governance reported by hospitals (Mean = 3.71) is higher than that of parastatals (Mean = 3.70), commissions (mean = 3.62) and government ministries (mean = 3.60). A close examination of the test result $F = 1.836$ with a p -value of 0.141 reveals that all 4 of these groups' means were equal. This means that hospitals, parastatals, commissions and ministries have the same level of contract governance. Apparently, the differences that exist in this sample were simply due to random sampling error. This interpretation is also true for justice perceptions, information exchange, ethical behavior and supply delivery performance as revealed by Table 4. Hospitals continued to show a higher mean level of justice perceptions (Mean=3.27), followed by parastatals (Mean=3.13), commissions (mean=3.10) and ministries (3.08). The corresponding test result $F = 0.291$ with a p value of 0.832 shows that all the four PDEs have the same level of justice perceptions. Similarly an examination of the PDEs perceptions of ethical behavior ($F=0.892$, $P>0.05$) and supply delivery performance ($F=0.794$, $P>0.05$) revealed no significant differences between the mean values, meaning that the observed differences could be due to random sampling error.

THEORETICAL, MANAGERIAL AND POLICY IMPLICATIONS

Theoretically and empirically, this study provides a new lens of organizational theory perspective through which to view contracts. This study used the theory of Resource Based View to explore ways in which information exchange and justice perceptions of contracting parties (buyers-suppliers) affect contractual governance. Empirically the study has shown that information exchange affects supply delivery performance positively. The level and willingness of contractual parties to share information is a competitive advantage in averting negative perceptions about the outcomes of the contract and promoting ethical behavior. This makes acquisition, exchange and

TABLE 4
Anova

	Sum of Squares	Df	Mean Square	F	Sig.
Contract Governance					
Between Groups	.633	3	.211	1.836	.141
Within Groups	34.039	296	.115		
Total	34.672	299			
Justice Perceptions					
Between Groups	.254	3	.085	.291	.832
Within Groups	85.288	296	.290		
Total	85.541	299			
Information Exchange					
Between Groups	1.713	3	.571	.625	.599
Within Groups	249.310	276	.913		
Total	251.023	279			
Ethical Behavior					
Between Groups	1.250	3	.417	.892	.446
Within Groups	108.767	233	.467		
Total	110.016	236			
Supply Delivery Performance					
Between Groups	.376	3	.125	.794	.498
Within Groups	42.579	270	.158		
Total	42.954	273			

sharing of information a key strategic resource that PDEs and their suppliers must engage in. The level of information exchange and sharing effects the diminution of doubt through contractual governance mechanisms. The level of information sharing depends on the amount of knowledge and trust PDEs and suppliers have about each other. This calls for a concerted effort of creating a data and information bank about prospective PDEs and suppliers. Given the strategic importance of suppliers, PDEs cannot afford to do business based on speculation. There is a need to collect additional information during the post bid evaluation about the best evaluated potential suppliers before a final decision on the choice of suppliers is made. This information should include the past performance of the suppliers. It is also necessary to establish a national data base for all providers to ensure that information on providers is more transparent and available to all actors in the procurement process. This will serve as a basis for monitoring their performance and ensuring compliance with the law. Control over information may help PDEs to identify

appropriate suppliers. This can easily help overcome potential information asymmetries when governing suppliers. Presence of information may even help a PDE craft better ex-ante contracts to clearly define the roles and responsibilities of each party, specify the knowledge to be exchanged, identify appropriate milestones, stipulate monitoring mechanisms, and introduce appropriate pecuniary incentives. In the case of the new suppliers this could be left out. PDEs and suppliers who are known to each other tend to share information and maintain high levels of trust and openness. This helps contracting parties to deal with potential threats of unethical behavior that bedevil PDEs. These unethical behaviors include influence peddling, clannishness favoritism networks, lying, solicited kickbacks, removing documents from files, fraudulent use of public procurement office, information leaks, promising to do certain things and failing to do them later, self interests and failure to keep word.

Turning to unethical behavior, PDEs and suppliers need to think about severe negative consequences associated with committing unprincipled and disreputable behavior in the buyer-supplier relationship. The authors are aware of the decision to blacklist and suspend providers who do not comply with the Public Procurement and Disposing Agency (PPDA) rules and regulations. The powers vested in the PPDA Authority to suspend a provider from participating in public procurement or disposal proceedings are found under Regulation 351 of the PPDA Regulations. Unfortunately, blacklisting alone does not stamp out unethical conduct. We are of the view that in addition to blacklisting, such supplying companies should be deregistered by the registrars of companies for a certain period, depending on the gravity of unethical behavior. These sanctions are likely to deter perpetuation of unethical conduct in procurement.

There is a need for the government of Uganda through PPDA to pass a bill that forms and recognises the National Professional Institute for Procurement Professionals in Uganda (IPPU). This body will raise professional ethics through an accreditation and certification mechanism to ensure that entry into the profession is restricted to suitably qualified professionals. Additionally behavior is a result of held cognitions resulting from personal constructs in which individuals construct alternative behavior and actions depending on the information acquired over time. This cognition and subsequent

action can be influenced by associating it with severe negative social consequences. For example at the policy level, deterrence strategies such as prosecution and social ostracism could be enforced. Social ostracism could be implemented in such a way that public procurement officers who engage in unethical behavior contrary to the procurement code of conduct are suspended and/or expelled from the profession. Additionally, government can permanently prohibit a public procurement officer convicted of unethical behavior from holding any public office, issue a restitution order to seize his/her assets, and even pay informers/whistleblowers on conviction of offender.

The amount of money lost by PDEs through unethical procurement practices can be recovered from responsible officers who cause such a loss. Thus unethical behavior will be less attractive. Additionally, consistent with Ntayi, Rooks, Eyaa & Zeija (2010) and Ntayi et al., (forthcoming), there is need to reconstruct the physical and social environment to constrain unethical behaviors. This can be achieved by involving community organizations. Community organizations should be made aware of the threat unethical behavior has to society and encouraged to engage in work to prevent it. Community groups could sponsor bystander/whistle blowing intervention training in which individuals increase their sense of efficacy. In order to achieve results, each individual in society must be willing to play the role of 'a whistle blower'. Such training can be supplemented by other methods such as drama, seminars and workshops.

It is advisable that all PDEs implement the PPDA provision that requires them to appoint contract managers. This will help solve the problem of not having records on file in PDEs. Adequate staffing of the PDUs will ensure implementing a deliberate systematic contract-monitoring mechanism. Apparently, there is no system in place in PDUs to show that certification of goods received was done. This is contrary to Regulation 259 of PPDA which requires PDEs to put in place a contract monitoring mechanism.

LIMITATIONS OF THE STUDY

A number of limitations that may restrict the interpretation of the results of this study have been identified. The study focused on the public procurement and disposing entities in particular with their

corresponding suppliers from the private sector but results from the purely private sector and local government procuring and disposing entities are likely to vary. The issue of whether or not findings can be generalized to the private sector and local government entities has not been addressed. In order to assess the true nature and quality of supplier delivery performance, ethical behavior, justice perceptions and information exchange a longitudinal study is deemed necessary. Researchers undertaking studies in public procurement in the future should consider developing scales that are specifically for the public sector in Uganda, given that some of the scales used in this study were adapted from studies that were not carried out in the public sector. The authors also would like to recommend that a longitudinal study using both qualitative and quantitative methodologies be carried out for purposes of triangulation.

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