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**OUTSOURCED CONTRACTS, BUYER-SUPPLIER TRUST, SUPPLIER  
OPPORTUNISTIC BEHAVIOR AND SUPPLIER PERFORMANCE IN  
UGANDAN PUBLIC PROCURING AND DISPOSING ENTITIES (PDEs)**

Arthur Ahimbisibwe, Moses Muhwezi and Sudi Nangoli\*

**ABSTRACT.** This study sought to examine the extent to which outsourced contracts, buyer-supplier trust and supplier opportunistic behavior explain supplier performance in Ugandan Public Procuring and Disposing Entities (PDEs). This study was prompted by reports of long lead times, failure to match specifications, late deliveries, poor quality of services delivered, contract violations, and increased supplier cheating. Cross sectional data from 116 central government PDEs concerning outsourced contracts was collected using a self-administered questionnaire. Hierarchical regression was used to indicate what happens to a model that was developed as part of this research as different predictor variables are introduced. The findings revealed that outsourced contracts, buyer-supplier trust, and supplier opportunistic behavior are significant predictors of supplier performance. The study has both managerial and policy implications which are discussed in this paper.

### INTRODUCTION

Outsourcing is a continuing trend that research has suggested can improve organizational performance (Gottschalk & Solli-Saether,

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2005). A number of theories have also been put forward in the literature that attempt to justify the unprecedented rate of outsourced contracts. Core competencies theory suggests that activities should be performed either in house or by suppliers depending on what is core or noncore (Hancox & Hackney, 2000). According to the resource-based theory of the firm, outsourcing is a strategic decision, which can be used to fill gaps in the firm's resources and capabilities (Grover, Teng & Cheon, 1998). This is supported by the transactional cost theory (Williamson, 1979) that argues transaction costs arise because complete contracting is often impossible and incomplete contracts give rise to subsequent renegotiations when the balance of power between the transacting parties shifts.

In addition, proponents of contractual theory such as Luo (2002) argue that an outsourced contract provides a legally bound, institutional framework in which each party's rights, duties, and responsibilities are codified, and the goals, policies and strategies underlying the arrangement are specified. Every outsourced contract has the purpose of facilitating exchange and preventing opportunistic behaviour. Supplier opportunistic behaviour is "self-interest seeking with guile" (Williamson, 1979). Ntayi, Rooks, Eyaa and Qian (2010b) further describe guile as "lying, stealing, cheating and calculated efforts to mislead, distort, disguise, obfuscate or otherwise confuse." Neo classical economic theory posits that firms outsource to attain cost advantages from assumed economies of scale and scope possessed by vendors (Ang & Straub, 1998). Lambe, Spekman and Hunt (2002) reveal that according to partnership and alliance theory, partnerships can reduce the risk of inadequate contractual provision, which may be comforting for clients about to outsource a complex and high-cost activity such as Information Technologies. Finally the relational exchange theory, which is based on relational norms, suggests that the key to determining how efficiently contract governance is carried out lies in the relational norms between the parties (Artz & Brush, 2000). In summary the researchers find that some theories give justifications for why organisations should engage in outsourced contracts (theory of core competencies, resource-based theory, transaction cost theory, neoclassical economic theory, and theory of firm boundaries) while others indicate challenges that may be associated with outsourced contracts (contractual theory, partnership and alliance theory, relational exchange theory, social

exchange theory, agency theory, and stakeholder theory) (Gottschalk & Solli-Saether, 2005).

Ntayi, Eyaa and Ngoma (2010a) reveal that in Uganda, on average, 65% of the Central Government recurrent non-wage is expended on procurement related items while Eyaa and Nagitta (2011) found that public procurement has always been a big part of the developing country's economy accounting for an estimated 9-13% of the developing nation's Gross Domestic Product (GDP) and is therefore an area that warrants careful management. Public procurement involves the acquisition of goods, services, and works by a procuring entity that uses public funds (Public Procurement and Disposal of Assets (PPDA) Act, 2003). According to the PPDA Act (2003), the law that regulates public sector procurement in Uganda, any public entity that is self-accounting is referred to as a Procuring and Disposing Entity (PDE) while the respective procurement departments are called Procurement and Disposal Units (PDU). The body that oversees the performance of public procurement in Uganda is called the Public Procurement and Disposal of Assets Authority (PPDA). Several PDE's in Uganda such as ministries, parastatals, commissions, and hospitals have employed outsourced contracts to reduce costs, increase flexibility, access better expertise, improve quality of services, reduce capital investment, and improve internal user satisfaction (PPDA, 2009; National Integrity Survey-NIS, 2008; Office of the Inspectorate of Government-IGG, 2009). These PDE's outsource non-core functions including information technology, car repairs, consultancy, cleaning services, security, waste management, couriers' services, and catering services to improve supplier performance. However this has not been achieved in Ugandan PDEs; supplier performance has not shown significant improvements to date (PPDA, 2009).

Anecdotal evidence from Uganda has shown that PDE's are suffering from long lead times, poor quality of services delivered, and high levels of contract violations (Ntayi et al., 2010a; Eyaa & Nagitta, 2011; IGG, 2010). Simply, outsourced services are not delivered on time, specifications are not being met as required, and internal users complain of late deliveries (NIS, 2008; PPDA, 2009; Commonwealth Heads of Government Meeting-CHOGM report, 2010). The accounting officers, contract committees and procurement officers often sign detailed contracts on behalf of government with suppliers which are

drafted by government legal departments to safeguard the outsourcing process. Despite the existence of detailed contracts, most suppliers have continued to fail to comply with contract terms that they themselves had agreed to comply with. Despite these failures little has been done to address such problems in any meaningful way. For example, Uganda hosted a Commonwealth Heads of Government Meeting (CHOGM) in November 2007 where many services including street lighting and beautification, fleet management, security, decorations, catering and hotel services, training, renovations, internet services, computers, phones, and road works were outsourced. Many of the services procured during this meeting suffered from poor supplier performance and increased expenditures that were never approved by parliament. The Parliamentary Accounts Committee (PAC) and Auditor General that were appointed to investigate CHOGM procurements reported that the expenditures almost doubled from the authorized budget of 270 billion Uganda shillings (equivalent to USD108M) to over 500 billion Uganda shillings (equivalent to USD 200M). These increases resulted from increased supplier prices and poor quality of goods and services delivered. For road repairs and fleet management alone, related losses exceeded 21 billion Uganda shillings (equivalent to USD 8.4M) and 6 billion Uganda shillings (equivalent to USD 2.4M) respectively (CHOGM report, 2010 p.10). These losses may have been attributed to poor outsourced contracts, lack of buyer-supplier trust, and supplier opportunistic behavior in PDEs. Clearly, these types of losses suggest a problem that needs to be addressed.

In Uganda some scholars have conducted research related to public procurement however none has examined outsourced contracts, buyer-supplier trust, and supplier opportunistic behavior as predictors of supplier performance. Ntayi et al. (2010a) sought to explain procurement officers' deviant behavior using moral disengagement, work anomie, perceived normative conflict, and procurement planning behavior as predictor variables. Ntayi et al. (2010b) examined how perceived project value, opportunistic behavior, and interorganizational cooperation affected contractor performance. Eyaa and Nagitta (2011) examined the nature of non-compliance in Ugandan public procurement contracts. Basheka (2009) provided some basis for public procurement corruption and its implications on service delivery. NIS (2006; 2008) research has also sought to identify the most corrupt PDEs in both central and local

government domains. Ahimbisibwe and Muhwezi (2010) examined vertical collaborations, buyer-supplier compliance and contract performance in PDEs in Uganda. Ntayi, Byabashaija, Eyaa, Ngoma and Muliira (2010d) investigated the association of social cohesion, groupthink and ethical behaviour of public procurement officers. None of these studies specifically addressed the impact of outsourced contracts, buyer-supplier trust and supplier opportunistic behavior on supplier performance in Uganda.

While research concerning outsourcing by organizations located in what may be referred to as more developed economies seemingly continues to grow and mature, most of the existing literature involving less developed countries and outsourcing is relatively young, speculative and anecdotal, and still lacks sound theoretical explanations for outsourcing performance. In addition, the paucity of empirical research coupled with the absence of comparative studies make understanding the basis for the aforementioned problems, difficult. Consequently outsourcing in less developed countries like Uganda is not well understood and clearly understudied. The purpose of this study is to examine the relationship between outsourced contracts, buyer-supplier trust, supplier opportunistic behavior, and supplier performance. In doing so, this research also makes a contribution to an area of study clearly in need of additional research.

### CONCEPTS AND HYPOTHESES

This section explains the theoretical concepts of this study, their relationships to each other and the resulting hypotheses. The previous studies that have been conducted on outsourced contracts, buyer-supplier trust, supplier opportunistic behavior, and supplier performance are also reviewed.

#### **Outsourced Contracts and Buyer-Supplier Trust**

In carrying out economic exchange, Contracts specify the terms and arrangements for the parties involved (Goo, Kishore, Rao & Nam, 2009). The contract is a formal written agreement that is legally binding between two or more competent parties, which creates obligations, whereby one party becomes bound to another to do or omit to do certain acts that are the subject of that contract (Ntayi et al., 2010b). This implies that contracts provide the framework for the economic exchange, outlining the nature and terms of the

relationship, what is to be provided and the rights and obligations of parties to the contract. In addition, contracts also fulfill another important role in minimizing the potential for opportunistic behavior. This can occur through *ex ante* mechanisms that bind the parties together, such as requiring parties to undertake transaction-specific investments or credible commitments to the relationship (Stefanie, Phillip, Kim, & Helmut, 2010).

Alternatively, *ex post* mechanisms may be incorporated which provide parties with rights and sanctions over others in the event of non-performance or other pre-specified situations. According to Goo et al. (2009) outsourced service contracts mainly involve Service Level Agreements (SLA). They defined a Service Level Agreement as a formal written agreement developed jointly between service recipient and service provider that specifies a product or service to be provided at a certain level so as to meet business objectives. The Service Level Agreement specifies responsibilities, strengthens communication, reduces conflict and is expected to build trust in an exchange relationship over time. Goo et al. (2009) identified the contractual elements as foundation, change management, and governance characteristics.

*Foundation characteristics* in Service Level Agreements collectively explain the common beliefs between organizations, which intend to build a spirit of agreement among those entities involved with its development (Goo et al., 2009). Elements under foundation characteristics include service level objectives, process ownership plan, pricing schedules and service level contents.

*Change management characteristics* address the issue of how various situations that may occur during the course of the contract would be handled if they were to occur, such as price inflation clauses in the industrial purchasing contracts and express warranties that address product failure (Goo et al., 2009). These contract features deal with the ground rules and procedures related to future contingencies, which would lead to desired outcomes if followed. Contractual elements under change management include future demand management plans, anticipated change plans, and innovation and feedback plans. It should be noted that in relational exchange a person cannot anticipate all contingencies and make complete plans thus these contracts have many tacit assumptions which could range from general to specific ones.

*Governance characteristics* provide administrative procedures for implementing the party's roles and obligations in a contract. They explain ways of how to manage the relationship through a clear statement of the measurements, conflict arbitration, penalty, rewards, and an agreed upon means to facilitate communication. These contractual safeguards involve provisions and administrative procedures aimed at dispute prevention and resolution and the distribution of costs and benefits under future contingencies (Goo et al., 2009). The major contractual elements under governance characteristics include a communication plan, measurement charter, conflict arbitration plan, and an enforcement plan.

Trust is conceptualized as a firm's willingness to rely on an exchange partner whose behavior is not under its control (Ntayi et al., 2010b). Trust is the firm's belief that another party will perform actions that will result in positive outcomes for the firm as well as not take unexpected actions that will result in negative outcomes (Stefanie et al., 2010). Trust is a multidimensional construct that contains various dimensions such as confidence, predictability, credibility, ability, competence, expertise, consistency and friendliness (Morgan and Hunt, 1994). Stefanie et al. (2010) indicated outsourcing to be contract intensive in nature and that a successful outsourcing relationship relies upon a contract that takes into account and provides provisions for as many contingencies as may be anticipated. Consistent with the aforementioned discussion we hypothesize that:

Hypothesis 1: There is a positive relationship between outsourced contracts that meet stated objectives and perform as required and buyer-supplier trust.

### **Buyer-Supplier Trust and Supplier Performance**

According to social exchange theory people form exchange relationships on the basis of trust. In addition, exchange relationships that are likely to cost more than the potential reward are simply avoided (Artz & Brush, 2000). Balance theory posits that people tend to develop a positive attitude toward those with whom they have some positive prior association. Similarly, the theory of reasoned action and theory of planned behavior asserts that behavior is influenced by behavioral intention and that intention is determined by attitude (Corbitt, Thanasankit & Yi, 2003).

The commitment-trust theory encourages individuals who are engaged in making purchase decisions to (1) work at preserving relationship investments by cooperating with exchange partners, (2) resist attractive short-term alternatives at the expense of the expected long-term benefits of staying with existing partners, and (3) view potentially high-risk actions as being prudent because of the belief that their partners will not act opportunistically (Morgan & Hunt, 1994). Thus suppliers who are credible and benevolent should be more successful in favorably influencing the supplier selection decisions than less credible suppliers. When considering future purchase decisions buyers tend to rely on the suppliers that they trust. Hence, trust is a necessary precondition for effective buyer-supplier relations.

The transaction cost theory predicts that in the absence of some form of governance mechanism, agreements between organizations will always be subject to risks from opportunistic behavior. Similarly, resource based theory research shows that buyer-supplier relations founded on trust enables firms to accumulate resources that are rare, valuable, and rare to imitate with no readily substitutes (Hoyt & Huq, 2000).

In a buyer-supplier relationship where the behavior of buyer and supplier contact is nested within their respective organizations, interactions take place not only between individuals but also between organizational agents in boundary spanning roles (Johnston, McCutcheon, Stuart & Kerwood, 2004). In such circumstances, organizational culture, structure and policies may affect the level of trust in the partner's organization and hence organizations are vehicles through which individual-level behavior is directed, constrained and facilitated in a way that promotes or inhibits trust in buyer-supplier relationships (Zaheer, McEvily & Perrone, 1998b).

Therefore the fundamental challenge in conceptualizing the role of trust in economic exchange is extending an inherently individual-level phenomenon to the organizational level of analysis without clearly specifying how trust translates from the individual to the organization level. This leads to theoretical confusion about who is trusting whom because it is individuals as members of organizations rather than the organizations themselves who trust. Likewise, the relational exchange perspective does not stipulate the mechanisms by which individual-level action affects organizational-level outcomes

and little research has been done to explain how trust, particularly when conceptualized as a multilevel phenomenon, operates to affect the performance of inter-firm exchange (Johnston et al., 2004).

Zaheer, McEvily, and Perrone (1998a) defined interpersonal trust as the extent of a boundary-spanning agent's trust in her counterpart in the partner organization, arguing that interpersonal trust is the trust placed by the individual boundary spanner in her individual opposite member. While inter-organizational trust is the extent of trust placed in the partner organization by the members of a focal organization and hence, when examining the characteristics of an inter-organizational relationship, there is a need to study the individual and organizational levels simultaneously and concomitantly. Simply aggregating interpersonal trust as a proxy for inter-organizational trust ignores the influence of social context in the form of individuals' interactions and organizational rules that constrain and orient its members. This implies that the effects of trust in the inter-organizational context are distinct at the individual and organizational levels of analysis.

Empirical results by Zaheer et al. (1998a) revealed a direct link between inter-organizational trust and performance though not between interpersonal trust and performance. These findings indicate that even though the individuals across the organization may not trust each other, as long as the institutionalized structures accompanying high inter-organizational trust are in place, negotiating costs will be kept down. Further, high interorganizational trust and low interpersonal trust can coexist in the same relationship given that boundary-spanning individuals come and go whereas the institutionalized structures and processes accompanying inter-organizational trust are more stable and enduring. In considering the role of trust in relational exchange, we argue that firms must recognize the impersonal structures, processes, and routines that create a stable context within which interpersonal trust can develop and persist. The stability of inter-firm exchange is not created and maintained solely by boundary spanning individuals but rather is institutionalized in the inter-organizational relationship. Also, when exchange is carried out between organizations with an institutionalized pattern of dealings, the inter-organizational context becomes more important.

Consistent with Koh, Fichman and Kraut (2009) and Goo et al. (2009), buyer's trust in a supplier is defined as the buyer's intention to accept vulnerability to the supplier based upon positive expectations of the benevolent intentions or behaviour of the supplier (Mayer, Davis & Schoorman, 1995; Schiele & McCue, 2006). Buyer-supplier trust has multiple impacts on transactions between organizations (Koh et al., 2009). It affects transaction costs (Chiles & McMackin, 1996), governance choice, exchange performance (Gulati & Nickerson, 2008), cooperation and commitment (Hoyt & Huq, 2000), information sharing (Dyer & Chu, 2003), and negotiation and conflict (Zaheer et al., 1998a; Johnston et al., 2004) between organizations. Accordingly, we therefore hypothesize that:

Hypothesis 2: There is a positive relationship between buyer's trust in a supplier and supplier performance at the organizational level.

### **Outsourced Contracts and Supplier Opportunistic Behavior**

Opportunistic behavior is defined as "self-interest seeking with guile" (Williamson, 1979). Supplier opportunistic behavior involves the use of incomplete or distorted disclosure of information especially with calculated efforts to mislead, disguise, obfuscate, or otherwise confuse a buyer during a contracted buyer/supplier relationship. Examples of supplier opportunistic behavior include such acts as withholding or distorting information and or failing to fulfill promises or obligations as outlined in a contractual agreement (Ntayi et al., 2010b). Supplier opportunistic behavior is seen as seeking gain for oneself at the expense of others and such behavior is usually associated with breaches of contract (Stefanie et al., 2010).

Supplier opportunistic behavior takes various forms, depending on the mechanism used for the governance of business activities. Wathne and Heide (2000) offered a framework of four forms of Supplier opportunistic behavior, namely; evasion, refusal to adapt, violation, and forced renegotiation. Their study generally revealed that suppliers tended to hold more key information with respect to their own products, including the products' function, quality, and cost. When buyers do not completely understand the particular attributes of a given product or service, sometimes suppliers will adopt opportunistic behaviours in order to pursue their own latent interests. Based upon the aforementioned discussion, we hypothesize that:

Hypothesis 3: There is a positive relationship between the lack of information that a buyer has about a given outsourced product or service and the tendency of suppliers to engage in opportunistic behavior.

### **Supplier Opportunistic Behavior and Supplier Performance**

Supplier opportunistic behavior is generally characterized by calculated efforts to mislead, disagree, confuse, withhold or distort information, avoid or fail to fulfill promises or obligations, and appropriate a firm's technology when possible. As a result, such behavior can have negative implications for supplier performance (Wathne & Heide, 2000). Poor supplier performance is exemplified by late delivery, delivery unreliability, order incompleteness, poor delivery speed, poor quality of goods or services provided, infrequency of delivery, faulty deliveries, high prices, failure to match specifications, and unfair conditions under which goods and or services are delivered (Ntayi et al., 2010c), and is seen as a major source of increased costs.

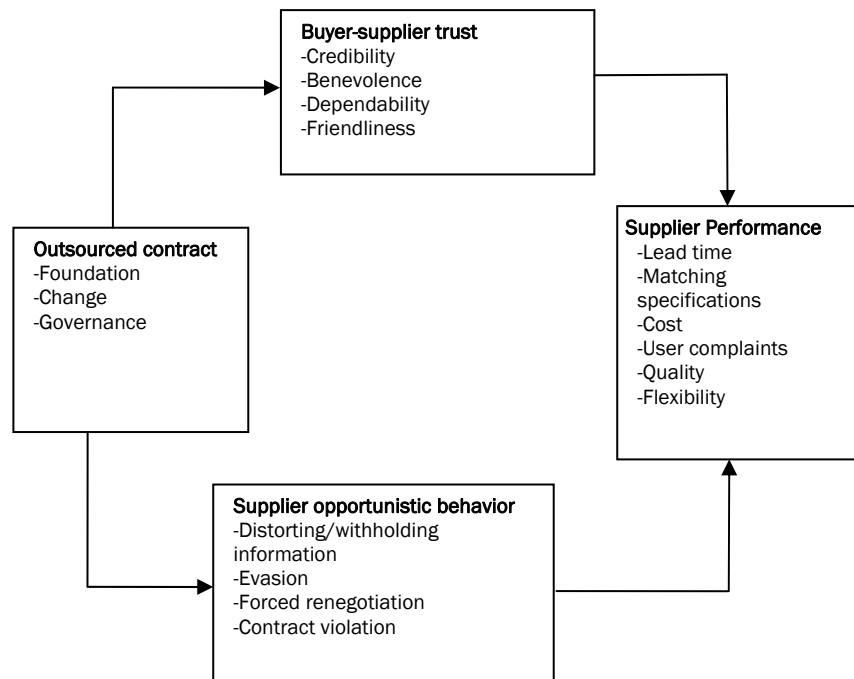
Individuals within organizations that perceive the threat of opportunistic behavior by suppliers are faced with a greater need for screening, negotiating, and monitoring partners' behavior, which results in increased transaction costs. In addition, opportunistic behavior can also negatively affect an organizations performance resulting from a supplier's lack of commitment to, or execution of, a given contract's terms, and consequently, the value contributed by the supplier to the buyer's respective organization or group (Ntayi et al., 2010b). Consistent with the above discussion we hypothesize that:

Hypothesis 4: There is a negative relationship between supplier opportunistic behavior and supplier performance

### **Explanation of the Conceptual Model**

The following conceptual model in Figure 1 examines the relationship between outsourced contracts, buyer-supplier trust, supplier opportunistic behavior, and supplier performance. The contractual terms of outsourced contracts and the means by which they are managed may influence the behaviors adopted by the parties involved in the form of trust or opportunistic behaviors

**FIGURE 1**  
**Conceptual Model for Supplier Performance in PDEs**



between the suppliers and the PDE which affects the supplier's ultimate performance.

## METHODOLOGY

### Research Approach

This research sought to understand further a phenomenon known as “supplier opportunistic behaviour.” This type of behaviour has been shown to occur when suppliers engage in the delivery of goods and or services to various departments of the Ugandan government. With the goal of developing a better understanding of the aforementioned phenomena, this research used a self-administered cross sectional survey to identify and draw inferences concerning the relationships between outsourced contracts, buyer-supplier trust, supplier opportunistic behavior and supplier performance. Zero-order correlation and hierarchical regression analyses were conducted to

investigate the relationships between the variables and the extent to which independent variables explained supplier performance within Ugandan PDEs.

### Survey Design

The self-administered survey was initially designed based on findings from a comprehensive literature review involving outsourced contracts, buyer-supplier trust, supplier opportunistic behavior, and supplier performance. The initial draft of the survey was then pilot tested using management professors from Makerere University Kampala, a major research university in Uganda, as respondents. Further, the pilot survey was also tested using individuals from 48 PDE's as respondents and yielded 95% response rate. Based on these pilot tests and comments from respondents concerning the clarity of the questions contained within the survey, measurement items were improved as required and any changes were consistent with the guidelines set forth by Dillman (1991); questions were brief and to the point, addressing only a single issue at a time. In addition, each construct as outlined in the conceptual model proposed by this study was measured by at least five questions or items that were created on the basis of established theory. Survey questions were designed to capture perceptions that individuals from the Accounting Office (AO) and Contract Committees and Procurement Office had about outsourced contracts for which they are expected to manage on an ongoing basis. Perceptual measures are frequently used in management research since they can parallel objective data in accuracy and research has supported the use of department managers as the key respondents for questions regarding performance within their respective departments and or organization (Kearns & Sabherwal, 2007).

### Common Methods Bias and Non-Response Bias

Common method bias is a potential problem when all measurements are provided by a single respondent. Common method variance is the portion of the correlation between two variables that results from sharing a common method of measurement (Kearns & Sabherwal, 2007). Because self-reporting, consistency motif, acquiescence, social desirability, affectivity and transient mood state lead to common method variance; it is of concern in survey research when sampling perceptual data

(Podsakoff, Mackenzie, Lee, & Podsakoff, 2003). Common methods bias was examined in two ways; firstly we used the strategies to ameliorate the problems of self-report data by designing a questionnaire to avoid implying that one response is better than the other, paying attention to wording and avoiding socially accepted responses. A common approach of overcoming self-reporting problems is to collect responses from two respondents, however we did not employ this because, firstly our focus was on supplier performance so we could not use them since this would have introduced in bias, secondly it could have introduced errors of linking up data together for predictor and criterion variables, requiring more time, effort and cost. Consistent with Podsakoff et al. (2003) we improved item scales by avoiding vague concepts and providing examples where necessary, kept questions simple, specific and concise, avoided double barreled questions, reduced questions relating to more than one possibility into more simple questions and avoided complicated syntax. Secondly common method variance was assessed using Harman's one factor test (Podsakoff et al., 2003). The underlying logic for this test is that if common method bias accounts for correlations among variables, then a factor analysis should yield a single factor when all the items are analyzed together. No single factor emerged or one general factor accounted for most of the variance implying that no substantial common method variance was present. On close examination of the output from unrotated factor solution, discriminant validity was also present.

Non response bias was examined by two separate tests. First, by comparing the average values for each of the constructs for the first quartile completed questionnaires received versus the last quartile completed questionnaires allowing the late questionnaires to proxy the perceptions of non-respondents. Mean differences for each of the constructs did not reveal any significant difference between the early and late questionnaires (2-tailed t-tests,  $p < 0.05$ ). Second, responses were compared by the work force size. Again, a comparison of average work force size from questionnaires for the first quartile respondent PDEs to those for the last quartile PDEs did not reveal any significant difference in the mean of workforce sizes (2-tailed t-test,  $p < 0.05$ ). These two comparative tests depicted the absence of non-response bias in this study (Kearns & Sabherwal, 2007).

### Refinements to the Measurement Items and Constructs

The measurement item scales used in the self-administered survey were selected from literature review and used tested instruments where available. Procedural remedies were observed from design to avoid common methods bias for any new measurements. Following the guidelines set forth by Podsakoff et al. (2003), the predictor and criterion variables were examined and what they had in common was eliminated, for example supplier opportunistic behaviour had some items that were similar to buyer-supplier trust that were carefully deleted. The reliability of the scales was ascertained by performing the Cronbach's alpha coefficient test and all the co-efficients were above 0.7 hence deemed adequate (Nannally, 1967). Content validity checks were also performed on the constructs to ensure that the scale items were meaningful and captured the issues that were being measured and all yielded content validity index above 0.7.

A factor analysis was conducted using the Principal Components Analysis (PCA) approach with varimax rotation to confirm the suitability of the construct indicators. PCA approach was chosen because it provides a linear summarization of the data into simpler components and produces exact scores rather than estimates. PCA is also the simplest of the true eigenvector-based multivariate analyses that often reveals the internal structure of the data in a way which best explains the variance in the data by providing the user with a lower-dimensional picture when viewed from its most informative viewpoint. Varimax rotation generally yields more stable results and is easier to interpret. A number of meaningful factors, explaining a larger percentage of the common item variance emerged (Podsakoff et al., 2003; Kearns & Sabherwal, 2007).

Outsourced contract was measured based on amalgamation of works of Goo et al. (2009) and Stefanie et al. (2010). Thirty three items were earlier modified and measured the extent to which provision of the eleven elements (which were summarized under foundation, change management and governance characteristics) are addressed in the SLA. Responses were anchored on a five (5)-point Likert scale ranging from strongly disagree (1) to strongly agree (5). An abridged example of items used to assess outsourced contract included;

- Service level objectives-we include a statement of expectations and capabilities of the service provider.
- Process ownership plan-our outsourced contracts contain statement of process ownership roles and responsibilities.
- Service level contents-our outsourced contracts contain a statement of the key business measurements required.
- Future demand management plan- outsourced contracts contain processes for scheduling, costing and modifying agreements with new demand.
- Anticipated change plan-the outsourced contract specifies relevant technology, business and industry drivers for change.
- Innovation plan-outsourced contracts stipulate process for innovation including implementation and prioritization.
- Feedback plan-outsourced contracts include statement of how changes will be implemented based on measurement results.
- Communication plan-the outsourced contracts contain a statement of the communication policy.
- Measurement charter-our outsourced contracts contain a statement of measurement methodology.

Conflict arbitration charter-our outsourced contracts contain a schedule for regular interaction and timetables for resolving issues between us and the providers.

- Enforcement plan-our outsourced contracts contain penalty definitions and formula. Outsourced contracts yielded a Cronbach alpha reliability coefficient of 0.83 and content validity index of 0.97.

Buyer-supplier trust was assessed based on an amalgam of Morgan and Hunt's (1994) and Stefanie et al.'s (2010) measurements that were modified to suit this study and captured dimensions such as supplier credibility, benevolence, dependability, honesty, competence and friendliness. These specifically included measures among others-this supplier is always frank in dealing with us, this supplier has made sacrifices for us in the past, this supplier cares for us, in times of shortages this supplier has gone out on an extremity for us, this supplier is like a friend, we feel the supplier has

been on our side. Buyer–supplier trust yielded a Cronbach alpha reliability coefficient of 0.79 and content validity index of 0.86.

Supplier opportunistic behavior was measured based on measurements from Wathne and Heide (2000) and Ntayi et al. (2010c) that were modified to suit the study and dimensions like transactional costs, withholding and distorting information, shrinking and failing to fulfill promises or obligations, evasion, refusal to adapt, violation, and forced renegotiation were adapted. The abridged examples were as follows; the supplier change prices without our knowledge, our supplier gives us wrong information about goods and services, the supplier does anything within his means to further his own interests, our supplier do not inform us when they are going to replace their suppliers, our supplier evades the performance of some duties, on occasion the supplier has lied about certain things in order to protect his interest, sometimes the supplier presents facts in such way that he looks good, our suppliers drag us into forced negotiations. Supplier opportunistic behavior yielded a Cronbach alpha reliability coefficient of 0.86 and content validity of 0.89.

Supplier performance measurements were modified from works of Ntayi, Namugenyi, and Eya (2010c) and item scales for on-time delivery, delivery reliability, order completeness, delivery speed, quality of goods provided by the supplier, frequency of delivery, number of faulty deliveries, cost mitigation, flexibility, matching specifications, reduced user complaints and conditions under which supplies were received were added to the questionnaire. Responses to supplier performance measures yielded a Cronbach alpha reliability coefficient of 0.89 and content validity index of 0.87. A questionnaire that was used for data collection with measurements has been attached as appendix 1 for readers to follow easily.

### **Data Collection**

Data were collected from 116 central government PDEs for outsourced contracts in Uganda in categories of 14 commissions, 12 hospitals, 26 ministries and 64 parastatals. For each PDE, the chairman Contracts Committee (CC) and Head of Procurement and Disposal Unit (PDU) were interviewed. These individuals were considered to be more knowledgeable about the subject matter of this study because of their participation in awarding, signing, renegotiating, monitoring and termination of outsourced contracts.

The list of the PDEs was obtained from the Public Procurement and Disposal of Assets Authority (PPDA) compliance assessment report, 2009. A self-administered survey was used to obtain data from respondents. A five (5) point Likert scale ranging from 5 - Strongly Agree 4-Agree 3-Not Sure 2-Disagree to 1-Strongly Disagree was used to measure respondents responses to the various questions included in the survey. 348 copies of the survey instrument were sent out to 116 central government PDEs. 306 usable questionnaires representing 87.9% response rate were returned and analyzed using SPSS version 15.0. The high response rate was attributed to the primary researcher's professional network and involvement in consultancy in public procurement in Uganda, SADC, COMESA and with the World Bank.

The authors divided all entities amongst themselves and each personally delivered the questionnaires to respective offices of the respondents involved in the study. This is slightly different from the developed world where most surveys are web-based because the research setting and context differs. There are still challenges with internet in Uganda and web based surveys are not usually successful and give poor response rates. All the data was collected from all central government entities which have offices in Kampala (capital city). The descriptive statistics revealed that the services that had been outsourced most frequently included cleaning services (85.3%), consultancy (74.2%), security (70.9%), maintenance (70.3%), courier & messenger (44.8%) and transportation (34.3%). The respondents from the Parastatals (55.6%) dominated the study followed by those from the Ministries (25.5%), Commissions (17.0%) and Hospitals (2.0%). Among the PDE's with over 1000 employees, the majority were Parastatals (60.0%) while the Ministries comprised 24.0% of this workforce category.

## FINDINGS

### **Analysis of Variance for PDE Category by Variable**

The ANOVA results in Table 1 were generated to assess outsourced contracts, buyer-supplier trust, supplier opportunistic behavior and supplier performance across various government sectors.

The results in the Table 1 show that there were no significant differences across the PDEs on these study variables ( $p > .05$ ). However, surprisingly on Supplier opportunistic behavior, it was observed that the Hospitals (Mean = 2.783) ranked higher than the Commissions (Mean = 2.696), Ministries (Mean = 2.487) and the Parastatals (Mean = 2.485).

**TABLE 1**  
**ANOVA Results**

		N	Mean	Std. Deviation	Std. Error	F	Sig.
<b>Outsourced contract</b>	Ministry	78	3.755	0.399	0.045	.117	.950
	Commission	52	3.721	0.438	0.061		
	Parastatal	170	3.744	0.384	0.029		
	Hospital	6	3.687	0.206	0.084		
<b>Buyer-supplier trust</b>	Ministry	78	3.601	0.453	0.051	1.583	.194
	Commission	52	3.656	0.331	0.046		
	Parastatal	170	3.700	0.280	0.021		
	Hospital	6	3.714	0.156	0.064		
<b>Supplier opportunistic behavior</b>	Ministry	77	2.487	0.697	0.079	1.582	.194
	Commission	52	2.696	0.651	0.090		
	Parastatal	170	2.485	0.712	0.055		
	Hospital	6	2.783	0.498	0.203		
<b>Supplier performance</b>	Ministry	78	3.859	0.470	0.053	.761	.516
	Commission	52	3.798	0.394	0.055		
	Parastatal	170	3.869	0.430	0.033		
	Hospital	6	3.660	0.264	0.108		

### Correlation and Regression Analysis Results

The results in Table 2 revealed a significant positive relationships between outsourced contracts and buyer-supplier trust ( $r = .43^{**}$ ,  $p < .01$ ) supporting H1. These results imply that the better outsourced contracts in PDEs are designed and managed, the more likely it will result in buyer-supplier trust. There was a significant and positive relationship between buyer-supplier trust and supplier performance ( $r = .359^{**}$ ,  $p < .01$ ) supporting H2. These results show that if there is an increase in buyer-supplier trust then supplier performance is likely to

**TABLE 2**  
**Zero Order Correlations**

	(a)	(b)	(c)	(d)
<b>Outsourced contracts-(a)</b>	1.00			
<b>Buyer-supplier trust-(b)</b>	0.430**	1.00		
<b>Supplier opportunistic behavior-(c)</b>	-0.262**	-.341**	1.00	
<b>Supplier performance-(d)</b>	0.418**	.359**	-.539**	1.00

Note: \*\* Correlation is significant at the 0.01 level (2-tailed).

improve. When contracts are characterized by buyer-supplier trust, the level of supplier performance is likely to increase. It was also observed that the outsourced contract and the supplier opportunistic behavior were negatively related and significant ( $r = -.262^{**}$ ,  $p < .01$ ) supporting H3. This implies that well designed contracts between exchange partners under conditions of uncertainty help to avoid supplier opportunistic behaviors like failing to fulfill promises or obligations, evasion, refusal to adapt, violation and forced renegotiation.

Supplier opportunistic behavior was also significantly and negatively related to the supplier performance in PDEs ( $r = -.539^{**}$ ,  $p < .01$ ) supporting H4. These results imply that opportunistic behavior by suppliers lowers the quality of the goods and or services delivered. Further findings revealed that outsourced Contract and Supplier performance were significantly and positively related ( $r = .418^{**}$ ,  $p < .01$ ). These results further highlight that if elements of a contract such as the Process Ownership Plan and the Service level content are well addressed, the PDEs will realize an improvement in the quality of the goods or services delivered. As expected supplier opportunistic behavior was also significantly and negatively related to the buyer-supplier trust ( $r = -.341^{**}$ ,  $p < .01$ ).

Consistent with the above, results in Table 3 show the variation explained by the predictor variables (Outsourced contracts, Buyer-supplier trust and Supplier opportunistic behavior) in the dependent variable (Supplier performance). We chose and applied a hierarchical regression approach to point out the contribution of each predictor in the regression model (Field, 2006). Application of this method also helped us to test the theoretical assumptions and examine the

influence of Outsourced contracts, Buyer-supplier trust and Supplier opportunistic behavior in a sequential way, such that the relative importance of a predictor is judged on the basis of how much it adds to the prediction of a criterion variable.

The regression analysis results provided in Table 3 shows that these predictor variables (Outsourced contracts, Buyer-supplier trust, Supplier opportunistic behavior) explain 41.6% of the observed variance in Supplier performance (R Square = .416).

In Model 1 outsourced contract was added and accounted for 17.5% of the variation in supplier performance (R Square = 0.175, R square change = .175, F- change = 58.833). This implies that the more PDEs systematically manage the Contractual elements in dealing with the Outsourced parties, the better the quality of the services that they are likely to achieve.

Model 2 reveals that outsourced contract and buyer-supplier trust are significant predictors accounting for 22.1% of the variance in supplier performance. This further shows that buyer-supplier trust accounts for 4.7% of supplier performance (R Square = 0.22, R square change=.047, F-change=16.590).

**TABLE 3**  
**Hierarchical Regression Analysis with Supplier Performance as the Dependent Variable**

Variable	Model 1	Model 2	Model 3	Model 4
Outsourced contract-(OC)	0.441**	0.347**	0.282**	1.414**
Buyer-supplier trust-(BST)		0.329**	0.209**	1.244**
Supplier opportunistic Behavior-(SOB)			-0.258**	-0.258**
OCX BST				0.296**
Constant	2.322**	1.457**	2.787**	-1.169**
Sample n	279	279	279	279
R	.418	.470	.637	.645
R <sup>2</sup>	0.175	0.221	0.405	0.416
Adj R <sup>2</sup>	.172	0.216	0.399	0.407
R square change	.175	.047	.184	.010
F Change	58.833	16.590	85.393	4.878
Df	(1, 278)	(2, 277)	(3, 276)	(4, 275)

Note: \*\*Significant at 1%, \*Significant at 5%.

In Model 3, in addition to outsourced contract and buyer-supplier trust, supplier opportunistic behavior was added and it shows that they are significant predictors of supplier performance. This further shows that supplier opportunistic behavior accounts for 18.4% of supplier performance (R Square = 0.405, R square change=.184, F-change=85.393).

Model 4 shows the interaction between outsourced contract and buyer-supplier trust which is also a significant predictor of supplier performance (R Square = 0.416, R square change=.010, F-change=4.878). This interaction effect shows the combined power and the complimentary role of outsourced contracts and buyer-supplier trust. The reason for testing the interaction (cross effect) was due to the debate of whether buyer-supplier trust acts as a substitute or complement of the formal contracts in supplier relationships. Despite the convincing arguments about buyer-supplier trust and formal contracts acting as substitutes the logic for considering these two governance devices as complements rather than as substitutes appears to be more compelling (Goo et al., 2009).

Firstly the authors consider that the combined power of formal contracts and relational governance mechanisms may be much higher in terms of safeguarding assets and they can jointly deliver much higher exchange performance than either governance choice in isolation.

Secondly well-crafted contracts promote longevity in exchanges by increasing the penalties for a party that may dissolve an exchange relationship. Thirdly, the process of developing a comprehensive and complex contract itself requires parties to engage in joint problem solving and both parties have to work as a team to develop and negotiate the various provisions that are incorporated in the SLA, including difficult aspects of the contract such as acceptable service levels, penalties for noncompliance and future contract changes. These joint efforts also lead to the development of social relationships between the two parties. The results revealed that Buyer-supplier trust complements the relationship between outsourced contracts and supplier performance consistent with Goo et al. (2009). Among the independent variables, supplier opportunistic behavior was a better predictor of supplier performance (R Square change = .184) than outsourced contract (R Square

change = .175, Sig. = .000) and buyer-supplier trust (R Square = .047, Sig. = .000) and the regression model was significant ( $P < .01$ ).

## DISCUSSION

The purpose of this study was to examine the extent to which outsourced contracts, buyer-supplier trust and supplier opportunistic behavior explain supplier performance in Ugandan Public Procuring and Disposing Entities (PDEs). Results of the analysis revealed that in Uganda, supplier opportunistic behavior, outsourced contract and buyer-supplier trust were significant predictors of supplier performance in public procurement. Systematic and proper management of the outsourced contracts ultimately leads to better supplier performance. As such, it is important to ensure that PDEs actually strengthen the relationships that they have with their suppliers as far as the outsourcing transactions are concerned. This mirrors findings by Hoyt and Huq (2000) which have shown how governance mechanisms based on trust and mutual cooperation improve supplier performance. From the perspective of resource based theory, a better supplier performance is possible when the buyer-supplier relationship exhibits high levels of trust that supports responsiveness and a willingness to assume greater levels of risk. The contractual transactions in the 1980's relied heavily on governance mechanism based on arms-length relationships that were more compatible with the principles of transaction cost theory but transaction cost theory seems to have lost its ability to explain present day buyer supplier relations based on trust and information sharing, as a consequence other explanations must be sought. Other organizational theories like network theory, agency theory and strategy-structure theory are also useful in explaining the role of buyer-supplier trust and would be worthy of consideration in a future study. The Ugandan public sector procurement seems not to favour long term buyer-supplier relations because of competitive bidding required by the PPDA Act, 2003.

This study also found that supplier opportunistic behavior results in poor quality of services, late deliveries, fake products, contract variations, abrupt price increases, forced renegotiations, information withholding and manipulation, and intentions to cheat the buyers. This is supported by the works of Ntayi et al. (2010b) and Wathne and Heide (2000) which showed that opportunistic behaviors are

characterized by high transactional costs, withholding and distorting information, failing to fulfill promises or obligations, evasion, refusal to adapt, violation, and forced renegotiation.

In an effort to address some of the aforementioned issues researchers have directed their attention towards designing improved agreements involving exchange partners under conditions of uncertainty in order to avoid this type of behaviour, and identifying alternative governance mechanisms to mitigate such risk (Stefanie et al., 2010; Goo et al., 2009). These researchers have suggested that as a way to avoid such behavior it is essential that buyers fully disclose expectations for quality and service levels upfront and use these expectations as a means for measuring performance during the execution of the outsourced contract. In addition, previous studies involving Ugandan public sector procurement have also recommended serious reprimand against poor supplier work (Ntayi, Eyaa, & Ngoma, 2010a; Eyaa & Nagitta, 2011; IGG, 2010; NIS, 2008; PPDA, 2009; Basheka, 2009; CHOGM report, 2010).

#### **MANAGERIAL AND POLICY IMPLICATIONS**

Until senior public officials are committed to resisting and dealing with these prevalent opportunistic tendencies, the institutions that they manage are unlikely to be able to realize their set targets and objectives. This top-level commitment should be directed towards and permeate throughout the public institutions that they manage so that even lower level employees are all resistant to this detrimental behavior. As a means to help those involved with procurement overcome the challenges associated with opportunistic tendencies, procurement officers, evaluation committees, and contract committees should focus increased attention on strengthening supplier evaluation procedures so as to proactively avoid opportunistic suppliers. Further, public entities may also want to develop mechanisms to deal with suppliers who engage in opportunistic behavior.

This research found that buyer-supplier trust between the outsourced parties and the PDEs was positively related to the supplier performance. Since outsourcing is important in improving and delivering better services, it is quite necessary that these PDEs ensure that they cultivate and develop trusting relationships with reputable firms that over time have been outsourced and shown to be

good performers. It should be noted that buyer-supplier trust takes time to emerge from fair transactions and cannot be forced. Unfortunately, the PPDA Act, 2003 does not favor the growth of long term relationships which are a prerequisite for trust. Clearly, changes to current legislation as it stands, is needed if longer term more trust-based relationships between buyers and suppliers are to be developed.

In the same spirit of developing a mutually trusting relationship between buyers and suppliers, buyers should ensure that they engage in fair conduct as it relates to agreements that may be in force. When suppliers feel they are not getting what they ultimately deserve or were promised, they may end up performing well below their capacity, thus negatively affecting the buyer's organization in the process. In the same spirit of open and fair conduct, PDEs should also ensure that they clearly specify and outline product and or service specifications as required and once delivered as needed that they make payments to suppliers in a timely fashion as outlined by the terms of the contract. In doing so, outsourced suppliers will not only have a better understanding of what they need to deliver, but with payment assured, they should also be more motivated to do so and in a more effective and efficient manner.

Lastly, the PPDA Authority may also want to consider making a deliberate effort to educate suppliers about the dangers of opportunistic behavior and its negative impact on performance. During these sessions, suppliers should be encouraged to refrain from this type of behavior and made to clearly understand that engaging in opportunistic behavior will impact negatively future business prospects with the PPDA Authority.

#### **LIMITATIONS OF THE STUDY AND AREAS FOR FUTURE RESEARCH**

Although this research provided some interesting findings and makes an important contribution to the public procurement literature concerning outsourced contracts, buyer-supplier trust, opportunistic behavior, and supplier performance, there are some limitations worth noting. First, the data collection instrument that was used by this study was a standardized questionnaire which usually limits the ability to collect information beyond the questions contained within the survey instrument. Future research may want to use a qualitative case-based approach that uses in-depth interviews to solicit

unstructured views about opportunistic behavior and suppliers. Secondly, this study used a cross sectional research design approach, the behaviors of the variables over time were therefore not analyzed and this restricts the applicability of the findings since a longitudinal study may give different results from the ones that were obtained by this work. Lastly, future research could employ a larger sample involving different types of public procurement stakeholders like the regulators, evaluation committees, local government (districts), chief administrative officers and town clerks among others. These future studies may also want to involve key respondents from suppliers that may have provided outsourced goods and or services. It would be interesting to compare and contrast viewpoints of both buyers and suppliers and in doing so, may provide insights into the basis for the phenomenon examined by this research that is otherwise unavailable at this time.

In an effort to expand upon the findings from this research and improve the potential for increased contributions to the public procurement literature, the following questions have been developed and may provide a useful starting point when conducting future research.

1. Are the effects of trust in the inter-organizational context distinct at the individual and organizational level of analysis? The fundamental challenge in conceptualizing the role of trust in economic exchange is extending an inherently individual-level phenomenon to the organizational level of analysis without clearly specifying how trust translates from the individual to the organization level that leads to theoretical confusion about who is trusting whom because it is individuals as members of organizations rather than the organizations themselves who trust. The relational exchange perspective does not stipulate the mechanisms by which individual-level action affects organizational-level outcomes and little research has been done to explain how trust, particularly when conceptualized as a multilevel phenomenon, operates to affect the performance of inter-firm exchange (Johnston et al., 2004). At the same time, interorganizational research examining trust solely at the individual level could be missing important institutionalized effects of interorganizational trust. Simply aggregating interpersonal trust as a proxy for interorganizational trust ignores

the influence of social context in the form of individuals' interactions and organizational rules that constrain and orient its members. This implies that the effects of trust in the interorganizational context may be distinct at the individual and organizational levels of analysis. This research question will help to understand better how the mechanisms by which individual-level action affects organizational-level outcomes.

2. Is the stability of inter-firm exchange created and maintained solely by boundary spanning individuals rather than being institutionalized in the inter-organizational relationships? Zaheer et al. (1998a) revealed a direct link between inter-organizational trust and performance though not between interpersonal trust and performance. However these findings also indicate that even though the individuals across the organizations may not trust each other, as long as the institutionalized structures accompanying high inter-organizational trust are in place, negotiating costs will be kept down. Further, high inter-organizational trust and low interpersonal trust may coexist in the same relationship given that boundary-spanning individuals come and go whereas the institutionalized structures and processes accompanying inter-organizational trust are more stable and enduring. This research question would help to further explain if the inter-firm exchange are created and maintained exclusively by boundary spanning individuals rather than being institutionalized in the inter-organizational relationships which seems ambiguous.

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#### APPENDIX 1

##### Outsourced Contracts, Buyer-Supplier Trust, Supplier Opportunistic Behavior and Supplier Performance in Ugandan Public Procuring And Disposing Entities (PDEs)

Background information *(Please tick in the box of your choice)*

##### 1. Gender

- Male  Female

##### 2. How old are you?

- 20-30 years  41-50 years  61years +  
 31-40 years  51-60 years

##### 3. Level of education

- Primary  Secondary  University

##### 4. Position held

- Head of section  Team leader  Team member

##### 5. The category of PDE

- Ministry  Parastatal  
 Commission  Hospital

##### 6. Number of employees

- Less than 100  501-1000  
 101-500  Above 1000

**7. Services outsourced in your organization**

- Maintenance
- Transport
- Cleaning
- Security
- Courier and messenger
- Catering
- Consultancy

We would like to know the level of perception you have regarding various practices in your entity about Outsourced contracts, Buyer-supplier trust, Supplier opportunistic behavior and Supplier performance (*kindly indicate with a tick in the box of your choice*).

Key

- 1-Strongly disagree
- 2-Disagree
- 3-Not sure
- 4-Agree
- 5-Strongly agree

	1	2	3	4	5
<b>Panel A. Outsourced contract</b>					
<b>Service level objectives</b>					
We include a statement of our management and organizational structure at the end of outsourced contract once the relationship is fully operational.					
We include statement of innovation expectations and capabilities of the service provider.					
We include a statement of our business objectives from the service.					
<b>Process ownership plan</b>					
Our outsourced contract contains statement of process ownership roles and responsibilities					
Our outsourced contract contains list of processes that are required to manage the agreements between us and service providers.					
Our outsourced contract contains list of processes directly affected by the services included in the agreements.					
<b>Service level contents</b>					
Our outsourced contract contains a statement of the key business measurements required.					
Outsourced contract contains established service quality targets					
Outsourced contract contains general description of the services required, major categories of the services, specific service elements.					

<b>Future demand management plan</b>					
Outsourced contract contains processes for scheduling, costing and modifying agreements with new demand.					
We include processes used to obtain end user feedback on the provider's delivery of services to meet new demand.					
The contract indicates processes that we should use to prioritize changes and modify the volume, type or level of service to match evolving user requirements.					
<b>Anticipated change plan</b>					
The outsourced contract specifies relevant technology, business and industry drivers for change.					
The contract specifies roles, responsibilities and decision making procedures for each category of change.					
We include clear definitions of the key categories of change e.g. charges for volume changes.					
<b>Innovation plan</b>					
Outsourced contract stipulates process for innovation including implementation and prioritization.					
Outsourced contract indicates process for business improvement and technology advancements e.g. technology upgrades.					
Outsourced contract includes innovation incentives/rewards program.					
<b>Feedback plan</b>					
Outsourced contract includes statement of how changes will be implemented based on measurement results.					
Our outsourced contract provides for an efficient feedback on the identified draw backs.					
Outsourced contract indicates prioritization methodology for current tasks and feedbacks.					
<b>Communication plan</b>					
The contract contains a statement of the communication policy.					
Outsourced contract shows organizational reporting structure.					
Outsourced contract shows identified communication initiatives/ initiative owners and recipients for various initiatives.					

<b>Measurement charter</b>					
Our outsourced contract contains a statement of measurement methodology.					
Our outsourced contract contains definition of what is to be measured e.g. price, customer satisfaction.					
Outsourced contract contains definition of the processes to periodically measure the defined categories.					
<b>Conflict arbitration charter</b>					
Our outsourced contract contains a statement of the parameters for involving the third party in discussions between us and service providers.					
Outsourced contract contain a schedule for regular interaction and timetables for resolving issues between us and the providers.					
Outsourced contract contains a statement of the practices and conduct rules required to preserve the independence of the independent.					
<b>Enforcement plan</b>					
Our outsourced contract contains penalty definitions and formula					
Our outsourced contract contains conditions under which termination may occur.					
outsourced contract contains statement of exit responsibilities					
<b>Panel B. Buyer-supplier trust</b>					
Promises made by this supplier are reliable.					
This supplier is knowledgeable regarding his/her products.					
This supplier is open in dealing with us.					
If problems such as shipment delays arise, the supplier is honest about the problems.					
This supplier has no problems answering our questions.					
This supplier has made sacrifices for us in the past.					
This supplier cares for us.					
In times of shortages, this supplier has gone out on a extremity for us.					
This supplier is like a friend.					
We feel the supplier has been on our side.					

<b>Panel C. Supplier opportunistic behavior</b>					
The supplier changes prices without our knowledge					
Our supplier does not give us truthful information					
Our supplier gives us wrong information about goods and services.					
The supplier does anything within his means to further his own interests.					
Promises made by our supplier are not all fulfilled.					
Our supplier does not inform us when they are going to replace their suppliers.					
Our supplier evades the performance of some duties.					
Our supplier refuses to adopt our contract terms and conditions					
On occasion, the supplier has lied about certain things in order to protect his interest.					
Sometimes the supplier slightly alters facts in order to get what he /she wants.					
Sometimes the supplier presents facts in such way that he looks good.					
Our supplier drags us into forced negotiations.					
<b>Panel D. Supplier performance</b>					
Supplier delivery is reliable					
Supplier delivers complete orders as required					
Supplier delivery speed is good					
Supplier delivers as per the specifications.					
We do not doubt the quality of outsourced services					
The outsourced services are free from defects					
Supplier has been consistent					
Supplier delivers as many times as required					
Supplier makes fine deliveries without faults					
Supplier charges fair prices compared to others					
Supplier is flexible					
User complaints have reduced since we started using this supplier					
Our outsourced providers are cooperative in problem solving					

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