

The influence of procurement efficiencies on the performance of a mining company

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ABSTRACT

The study investigates the influence of procurement efficiency on the performance of a mining company. Procurement efficiency entails that procurement in a mining company, continuously take up fewer resources while generating more value. The value generated in procurement could directly translate to the performance of the company and thus attaining procurement efficiency should exist at the centre of the company's objective. An in depth understanding of the construct of procurement efficiency and its influence on company performance is embarked on, to expand debate and knowledge on solutions that a mining company can adopt to deal with the numerous challenges in the business environment. A qualitative study employing a convenient sample of six managers working in the finance, procurement and commercial department was conducted. The participants were subjected to semi-structured interviews which were aided by an interview guide and self-administered. Several themes emerged from the qualitative analysis which included the understanding of procurement efficiency, the understanding of organizational performance, attaining procurement efficiency, managing the performance of an organization, the influence of procurement efficiency on organizational performance and improving the relationship between procurement efficiency and organizational performance. The study concludes that procurement efficiency positively influences company performance as it is associated with increased operational efficiency, performance, value realization, compliance with regulations, good governance, profitability and service delivery. Mining companies are faced with real challenges in attaining procurement efficiency, although the knowledge of what it entails exist. The challenge in attaining procurement efficiency can be explained by the inability to fully integrate procurement efficiency into the process of managing the performance of the mining company. Outsourcing skills to help with the integration of procurement efficiency with organizational performance could make valuable difference in the mining sector.

KEY WORDS

Procurement, Procurement Efficiency, Organizational Performance and Procurement Performance.

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1 CHAPTER 1: INTRODUCTION TO THE RESEARCH PROBLEM

1.1 INTRODUCTION

Organizations allocate resources to procurement processes with the hope to attain procurement efficiencies which are believed to result into better organizational performances. Some organizations have gone on to enlist procurement efficiencies as their competitive advantage. The market place has witnessed an upsurge in consulting activities with such services as optimizing supply chain processes on offer. Hussein (2013:1) argued that procurement excellence which could refer to procurement efficiency is increasingly becoming an important factor in delivering efficient operations within successful companies. The positive linkage between successful companies and attaining procurement excellence informs performance management in organizations.

Millet and Agrawal (2014:1) stated that for most if not all irrespective of where they are on the procurement journey there is continual pressure to deliver and sustain value year on year with limited resources and budget. Apart from the positive relationship between procurement efficiency and successful companies, supply chain practitioners must deliver more value with less resources which translates to procurement efficiency a characteristic of a successful company. There is consensus amongst scholars and practitioners that procurement efficiency positively influences performance in an organization, the mining companies included. It is also generally recognized that companies are on different levels of procurement efficiencies even within themselves which varies the level of performances.

The performances of mining companies have been under a strain in recent times due to several factors located in both the local and global business environment. Factors militating against performances of mining houses can be classified into the tough operating conditions, a complex socio-political environment and financial performance under pressure. It is of interesting to academics and procurement practitioners, to analyse

the specific influence of attaining procurement efficiency on the performance management of a mining company. Particularly against the backdrop of observations in Musau (2015:12) that organizational performance is achieved through among other ways the efficient procurement function. Makariba and Waiganjo (2014:369) posited that organizations spend a large portion even up to 70% of their revenue and operational budget on procuring goods and services. The large investment into procurement would be wasted without a structure to ensure a return on investment, of which procurement efficiency concept attempts to provide. It is within this background that this study investigates the influence of procurement efficiencies on the performance of the mining company.

1.2 RESEARCH PROBLEM

According to Turok (2013:1) performance of companies in the mining sector is currently under strain due to depletion and deepening of the mineral ore. Those mining companies that remain operational are required to optimize their cost in order to cope (Ernest and Young, 2013: 33).

Attaining procurement efficiency is one of the tools for *optimizing costs and enhancing performance* in the current business environment. Failure to understand or to harness the strength in attaining procurement efficiency by a company may translate to missed opportunities which are detrimental to viability. Mutai (2015:3) stated that the investment into procurement systems with zero or very little positive outcomes to influence organizational performance is undesirable whereas attaining procurement efficiency is not an event but a process that requires continuous improvement and management.

Procurement efficiency can be a central part of performance management in a company (Millet and Agrawal, 2014:2). According to SAIMM (2012:317) mining companies are faced with the challenge of not being able to measure the resources, inputs and outputs in order to determine procurement efficiency. The problem requires management to determine a criteria for measuring and weighing the impact of procurement efficiencies.

Thus, this study acquires an in-depth understanding of the influence of procurement efficiency on the performance of a mining company to expand knowledge and present the construct as an option solution to the numerous challenges faced by mines.

1.3 RESEARCH QUESTIONS

- What is the criteria for defining procurement efficiencies?
- Which tools are used to attain procurement efficiencies?
- What are the perceptions of the decision-makers on the relationship between procurement efficiencies and performance?
- What is the role of procurement efficiency on organizational performance?

1.4 THE IMPORTANCE OF THE STUDY

The study could benefit several stakeholders including mine managers, mining communities, policy makers and shareholders in the mining sector. Mine managers' daily task is to manage the performance of the mining company to align with company objectives. Over-emphasis or under-emphasis of the role that can be played by procurement efficiencies can have a directly impact on the performance of the company. The outcome of this study may inform managers' daily decision, with a view to improve their organisational performance management skills. The community benefits from the study in two ways, one as participants in the supply chain of the mine and as economic beneficiaries of mining activities. The outcomes of the study may help the entrepreneurs to see through the supply chain policies and objectives of the mining company which is necessary for their optimal participation. If attaining procurement efficiency is positively related to organizational performance, then an opportunity to grow and sustain the benefits associated with mining activities for the community exists to be explored. Accordingly attaining procurement efficiency can grow and preserve the shareholder value in a mining company thereby promoting investments into the sector which are important to policy makers, academia and stakeholders.

1.5 RESEARCH APPROACH

The study was conducted using a qualitative research method to provide viable answers to the research questions. In conducting the qualitative method, semi-structured interviews with the aid of an interview guide were self-administrated to a purposefully selected sample. The sample was selected using a non-probability sampling technique: purposive sampling. Collected data was analysed using qualitative data analysis techniques.

1.6 LITERATURE REVIEW APPROACH

Literature review is conducted on available relevant recent literature on the subject matter. A rigorous literature review focusing on procurement efficiency and company performance as well as all related subject matters was developed through consulting journals, thesis/dissertations, reports, online articles and magazines.

1.7 LAYOUT OF THE STUDY

The mini-dissertation is divided into four chapters, which are presented as follows:

Chapter 1: Introduction and problem statement

This chapter is a discussion of the background, context of and causal factors to the study as well as the problem statement. It also presents an overview of the research design and layout of the next chapters.

Chapter 2: Literature review

This chapter is an investigation, through a comprehensive literature review, the construct of procurement efficiency, performance management in a company and related topics.

The discussion is expanded into the relationships between the constructs and theoretical conclusions established in literature.

Chapter 3: Research Methodology

This chapter presents the research methodology offering a discussion on the sampling methods used as well as the compilation of the survey instrument, the interview guide including the actual interview process, the study participants, the data collection and processing.

Chapter 4: Conclusions and Recommendations

The conclusions of the study based on the literature review and empirical investigation as well as recommendations for further study is presented in this final chapter.

1.8 SCOPE AND STUDY LIMITATION

The scope of the study and subsequently its utility will be limited to employees in a single mine. Generalization of the research outcome will be constrained by the qualitative research design which uses small samples which are conveniently selected. The outcome of the research will be relevant to the specific characteristics that are represented in the sample.

1.9 MANAGERIAL IMPLICATIONS

The study will assist management to determine methods that can improve performance of a mining company by focusing on factors that add value to procurement efficiency. The study will create an awareness and knowledge in the areas requiring improvement with regards to company performance, assisting both policy makers and decision makers in

the formulation and implementation of new policies that can bring improvement in the performance of a mining company.

1.10 CHAPTER SUMMARY

The chapter provides an introduction of the background of procurement efficiency and organizational performance, the objectives of the study, the problem statement, the research and literature approach, the importance of the study and the layout of the of study.

2 CHAPTER 2: LITERATURE REVIEW

2.1 INTRODUCTION

In the previous chapter the scope of the study was outlined. This chapter is a discussion of the relevant literature pertaining and related to the study's focus area. The literature review will be covered through several topics: procurement, procurement efficiency, tenets of procurement efficiency, influence of procurement efficiency in organizations, procurement performance, organizational performance and performance management in a mine. The definition of important terms and their discussion are presented in the next section.

2.2 DEFINING PROCUREMENT

Procurement involves the process of selecting vendors, establishing payment terms, strategic vetting, the negotiation of contracts and actual purchasing of goods and services. It is, thus, evident that procurement is right at the centre of the strategy of an organization and its importance and value to an organization cannot be over emphasized. Quesada, Gonzales, Mueller and Mueller (2010:517) stated that organizations spend at least one third of their overall budget on procurement of goods and services. All procurements regardless of their value or complexity should follow a standard sequence of actions which need to be effectively managed to realise the objectives of the procurement function (Bashuna, 2013:262). In other words, the different stages involved in procurement present an opportunity for an organization to express and implement its strategy.

There is general agreement between practitioners and academia as to what procurement entails. According to Magoro (2010:5), procurement is the process by which goods and services are acquired from external service providers. Steyn (as cited in Mantzaris,

2014:69) stated that procurement takes place at three different levels namely day-to-day purchases, middle range purchases and higher range purchases. At the level of day to day purchases the purchases are of low value and involves few procurement rules. Middle range purchases are of a relatively higher value and are subject to more rules such as obtaining quotations from different suppliers before the procurement decision. The higher range purchases normally have a predetermined amount of money for which more stringent and complex rules apply.

Watermeyer (as cited in Magoro, 2010:5) posited that procurement is a process that creates, manages and fulfils contracts relating to the provision of supplies, services or engineering and construction works, the disposal of property, the hiring of anything and the acquisition or granting of any rights and concessions. Kakwezi and Nyeko (2010:2), stated that the ability to realize procurement goals is influenced by internal forces, and that the interactions between various elements, professionalism, staffing levels and budget resources, procurement organizational structure whether centralized or decentralized, procurement regulations, rules, guidance and internal control policies, all need attention and they influence the performance of the procurement function.

Mashele (2016:3) argued that the procurement function in its nature is a rule-based environment that is guided by legislation, policies and procedures and that globally the award of procurement contracts is a hugely contested arena that is filled with controversy about subjective decision-making by leaders and organizations. Bashuna (2013:263) argued that procurement continues through the processes of risk assessment, seeking and evaluating alternative solutions, contract award, delivery of and payment for the property and/or services and, where relevant, the ongoing management of a contract and consideration of options related to the contract. One of the concepts that emerges from the discussion of what procurement entails is the concept of procurement performance which is discussed in the next section.

2.3 PROCUREMENT PERFORMANCE

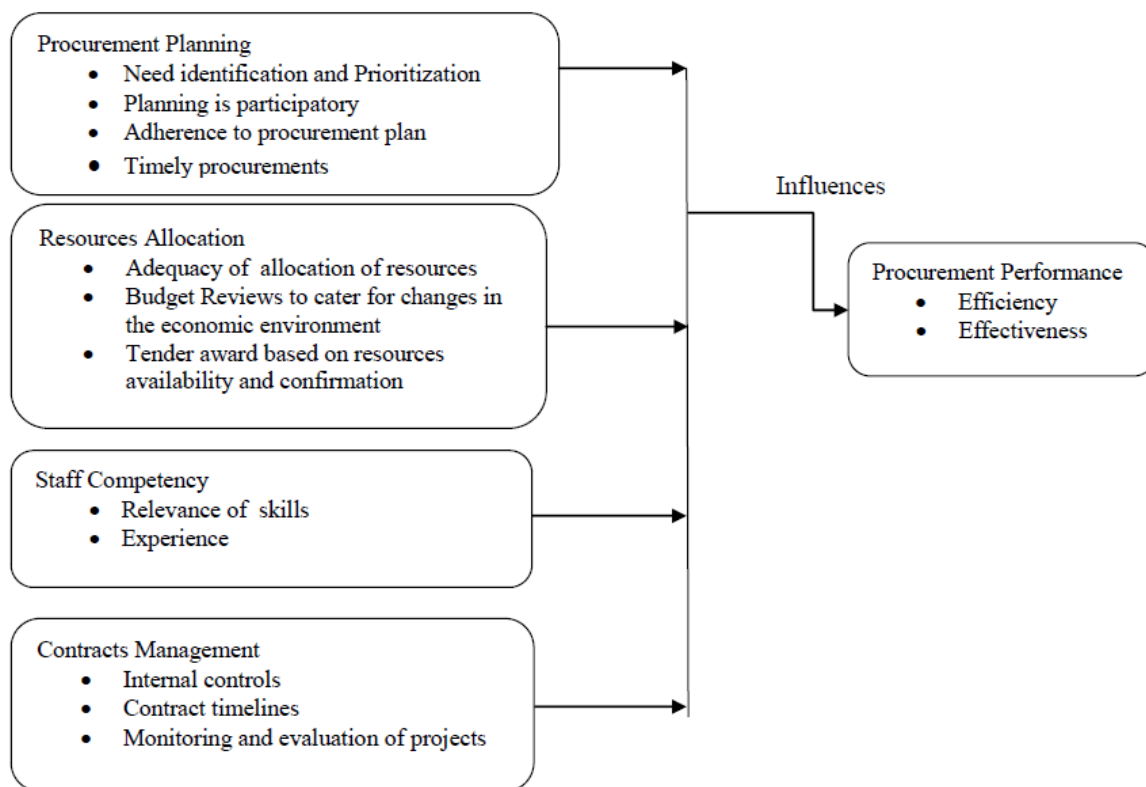
Hussein (2013:12) defined procurement performance as referring to the relationship between actual and planned performance of any human activity. Procurement performance is a way of identifying the extent to which the procurement function is able to reach its goals and objectives with minimum costs. Henshall (2015:1) identified the three key goals of procurement as cost leadership, growth and maintaining a competitive advantage. To achieve total cost leadership rigorous procurement processes are necessary across the value chain. Growth opportunities can be created by collaborating with key suppliers who work along with the company's R&D procurement and marketing functions in joint teams to offer ideas for new or improved products and services. Sustainable advantage can be created by controlling the value chain and gain, making strategic advantages that are very difficult for competitors to copy (Henshall 2015:1). From this discussion procurement performance is a metric measuring how well procurement helps achieving cost leadership, growth and sustainable advantage.

Chimwani, Iravo and Tirimba (2014:1630) posited that four independent variables are relevant to attaining procurement performance which include record management systems, procurement procedures, Information communication technology and staff qualifications. A record management system is required to be effective, efficient, integrated and have enough storage capacity in order to positively influence procurement performance. Procurement procedures should be executed through adequate bureaucracy levels, with enough enforcement and compliance and designed to maximize profits. The use of information communications technology entails reducing e-procurement cost, optimization of operations, collaboration at departmental levels and integrated systems. The employees need to have the relevant knowledge and skills, engage in cross-functional teamwork and improve their efficiency awareness. These variables are relevant in attaining procurement performance.

Dza, Fisher and Gapp (2013:49) argued that procurement reforms are seen as essential for achieving a long-term improvement in financial management within Africa. The

argument is in line with theoretical argument that procurement efficiency can support growth, cost leadership and sustainable advantage in companies. However, there are limiting issues which include inadequate education and training, legislative constraints, especially those associated with procurement technology, and a lack of political support for the reform process (Dza, et al 2013:49). According to Ernest and Young (2014:10) many procurement teams operate under an informal mandate that does not clearly articulate what they are accountable for and that in the absence of procurement capability and operating model a team is fundamentally limited in their effectiveness. The implication of these arguments is that although a lot of work has been carried out to understand procurement performance, gaps still exists that needs fresh studies to fill.

Fig 2.1 Factors that influence procurement performance adapted from Kiage (2013:56)



Barsemoi, Mwangagi, and Asienyo (2014:633) stated that procurement performance is the backbone of an organization success since it contributes to competitive purchase and acquisition of quality goods that puts the organization products or services in the

competitive edge in the market. Ernest and Young (2014:1) observed that in many government and commercial organization procurement has now become recognized as a fundamental enabler of business strategy and a preferred method for achieving sustainable cost reduction. Thus, the influence of procurement performance and procurement efficiency to an organization's performance is widely held as positive. According to Magutu, Njihia and Mose (2013:391), for decades' procurement performance has been attracting great attention from practitioners, academicians and researchers due to poor performance resulting from non-adherence to proper processes and procedures. An opportunity arises in this study to explain the performance of a mining company using one of the constructs of procurement performance, procurement efficiency.

2.4 PROCUREMENT EFFICIENCY

The term efficiency suggests that procurement systems should be designed to use less resources to produce more in value. Barasa and Namusonge (2017:2148) stated that the efficiency frontier is a concept in operations that states that an organization is efficient if it has the highest perceived value or service level for a given cost. In fact, procurement practitioners work within the confines of a limited budget to deliver the required value. Although more resources are increasingly being assigned to the function of procurement the pressure to be efficient in this function is even more pronounced. Millet and Agrawal (2014:1) observed that there is continual pressure to deliver and sustain value year-on-year with limited resources and budget which is central to the definition of procurement efficiency. If procurement practitioners can deliver substantial year-on-year value and do so with the best overall return on investment, they would have achieved procurement effectiveness and procurement efficiency respectively. Most companies push for cheaper and cheaper purchases, but in the end, that is not necessarily efficient.

There is a wide body of literature dedicated on procurement performance in organizations. In this study a distinction is made between procurement performance, procurement efficiency and procurement effectiveness. Procurement efficiency and

Procurement effectiveness explain the construct of procurement performance in organizations. Whereas procurement efficiency entails using less resources to generate more value in terms of profitability through procurement, procurement effectiveness entails simply meeting the procurement requirement of the organization with no regards to cost. Most organizations can easily attain procurement effectiveness, the challenge is with attaining procurement efficiency. Kakwezi and Nyeko (2010:1) argued that in most developing countries the procurement function is transitioning from a clerical non-strategic unit to a senior management level strategic unit that is able to influence decisions and add value. At the clerical non-strategic unit level, organizations are content with achieving procurement effectiveness. Procurement efficiency attainment aligns well with the senior management and strategic decision-making level which organizations are gravitating towards to add value in recent times. According to Kakwezi and Nyeko (2010:1) procurement performance, by extension procurement efficiency, has been attracting great attention from practitioners, academicians and researchers due to poor performance resulting from non-adherence to proper processes and procedures.

2.5 MEASURING PROCUREMENT EFFICIENCY

It is often suggested that you cannot measure what you cannot control. It is within the interest of any organization, considering the definition of procurement efficiency, to ensure that the procurement efficiency status of the organization is managed. It is one of the roles of managers to control the procurement efficiency of the organization as it is positively related to attaining the company strategy. Controlling procurement efficiency means that managers constantly measure it and direct it towards an acceptable standard. It is therefore possible that organizations in their lifetime go through different levels of procurement efficiency maturity even within different departments or units within the same organization. This is also in line with arguments in Millet and Agrawal (2014:1) that procurement functions are at different stages of maturity and effectiveness across organizations and often within organizations. It is thus of great importance to understand factors that signal procurement efficiency in an organization or a department within an organization. According to Kakwezi and Nyeko (2010:1) developing countries, in efforts

to reform procurement regulations, have addressed procurement processes, methods, the structure of the organizational and the workforce.

Minnullina (2017:3) posited that procurement efficiency is signalled by taking into account the proportion of cost of material resources in the general expense of the organization, the proportion of financial resources aimed at the purchase of material resources in a competitive way in the total volume of purchases, the proportion of the cost of logistics intermediaries' services in the procurement of material resources. The proportion of the cost of material resources must be minimized to create space for other cost, the proportion of the financial resources aimed at the purchase of material resources in a competitive way must be maximized, the proportion of the cost of logistics intermediaries' services in the procurement of material resources must be minimized to release resources for the purchase of the material.

Kwakwezi and Nyeko (2010:14) stated that there are financial and non-financial measures that can be used to measure the performance of the purchasing function. The non-financial measures that were identified in the study were the safety of employees, purchasing efficiency, safety of products, knowledge of the supply market, purchasing effectiveness, customer satisfaction, dependability, flexibility and quality of employees. The financial performance measures identified in the study include the profit centre, purchasing ratio, vendor rating, cost accounting and budgetary considerations. However, procurement performance is a brought concept encompassing procurement efficiency and effectiveness. The measures contributed in Kwakwezi and Nyeko (2010:14), although relevant to procurement efficiency, do not make a distinction between procurement efficiency and effectiveness.

2.6 CHALLENGES IN ATTAINING PROCUREMENT EFFICIENCY

According to Ernest and Young (2014:10) most procurement teams operate under informal mandate that do not articulate accountability. Accountability in attaining procurement efficiency entails deliberately drafting a formal mandate whose objective is

to ensure procurement teams generate more value for the organization using less or limited resources. The ability for procurement teams to achieve the organizational procurement objectives is also referred as procurement capability, whereas the unique mix of objectives and priorities is in itself the procurement operating model. In explaining, the challenges that organizations face in attaining procurement efficiency, Ernest and Young (2014:10) observed that procurement capability and the operating model influences procurement efficiency and effectiveness.

Okinyi and Muturi (2016:1) observed that procurement suffers from a number of factors including poor performance characterized by:

- red-tape measures
- non-compliance to the act
- overpricing, poor planning
- poor contract management
- redundancy
- corruption
- inadequate transparency and accountability.

According to Barasa and Namusonge (2017:2147) the availability of websites to facilitate e-procurement, particularly in public organizations, is low and might affect their efficiency in procurement. Minnullina (2017:1) argued that most companies are paying excessive attention to inventory management, building distribution systems and other functional logistics underestimating the need to improve procurement activities. Procurement activities are at the beginning of the value chain of the company. Failure to give due attention to procurement activities can pare down the benefits from inventory management, building distribution systems and other functional logistics. Such a situation is consistent with the garbage in garbage out concept (gigo) and undermines the view that increasing the procurement efficiency is a priority for the development of economic activities of the organization (Minnullina 2017:1).

2.7 ENHANCING PROCUREMENT EFFICIENCY IN AN ORGANIZATION

Barasa and Namusonge (2017:2147) argued that e-procurement is a means of harnessing available resources in order to attain procurement efficiency. In alignment Mgidlana (2013: ii) had stated that e-procurement is one of the components that can assist management in streamlining operations resulting in an efficient supply chain process and that web-based procurement technologies have the potential of improving efficiencies within the procurement process through the transforming of the traditional process to e-procurement. Basheka, Oluka and Mugurusi (2012:712) identified the critical success factors on an e-procurement tool as:

- careful involvement of suppliers
- systematic risk management approaches
- systematic redesign of organizational processes
- use of experienced consultants
- and careful selection of software providers.

Panda and Sahu (2012:16) observed that through the implementation of an e-procurement system business processes can be substantially re-engineered to ensure efficiency. They went on to cite that top management support is the most important factor for the successful implementation of e-procurement. Senior management role is key to success as they ensure that necessary resources are committed to the e-procurement project to guarantee success. According to Shiundu and Rotich (2014:80) procurement staff should possess a set of skills appropriate in the procurement activities, e-procurement should be adopted as well as a good record keeping culture. There were five critical e-procurement success factors identified: employees and management commitment to success of adoption; reliability of information technology and supplier performance; monitoring the performance of e-procurement systems; user acceptance of e-procurement systems and top management support (Mose, et al 2013:375). It is also important to note that attaining procurement efficiency is also dependent on the buy-in of senior management not only for the purpose of committing resources but also to inspire a shared goal in the procurement function.

2.8 ORGANIZATIONAL PERFORMANCE

Performance in any organization has its roots in attaining the overall objective of the organization. Traditionally the primary objective of an organization is to maximize shareholder value, although the definition and how we achieve shareholder value has transformed over time to include the organizational footprint into the environment and society. In order to evaluate performance, the different aspects of the organization must be weighed against maximizing shareholder value. According to Byremo (2015:10) organizational performance can be divided into Financial and Market performance, Operational performance and employee attitude and behaviour. This is true for a mining organization too. The outcomes are weighed against the targets of the organization as well as benchmarked against the peers and the market in the mining industry. The performance outcomes will also be evaluated over time to reflect on where the organization is coming from and where it is going.

Financial and Market performance data is readily available and objective in nature. Publicly trading companies have their annual financial reports published in the public domain. Stank and Autry (2011:941), argued that organizations regard the supply chain as an important contributor and driver for financial performance that can improve revenues and customer service. Supply chain activities present an opportunity for an organization to leverage on the inherent strategic value add as they directly link to operational cost management.

The operational performance measures of an organization are internally generated for purposes of supporting internal decision making by managers and may not be available in the public domain. Operational performance can be described by such measures as productivity, production quality, service quality, sales and innovation. These operational performance measures can easily be broken down into numbers. Employee attitude and behaviour performance are subjective and provide some level of difficulty in interpreting and use in understanding organizational performance. However, there are objective

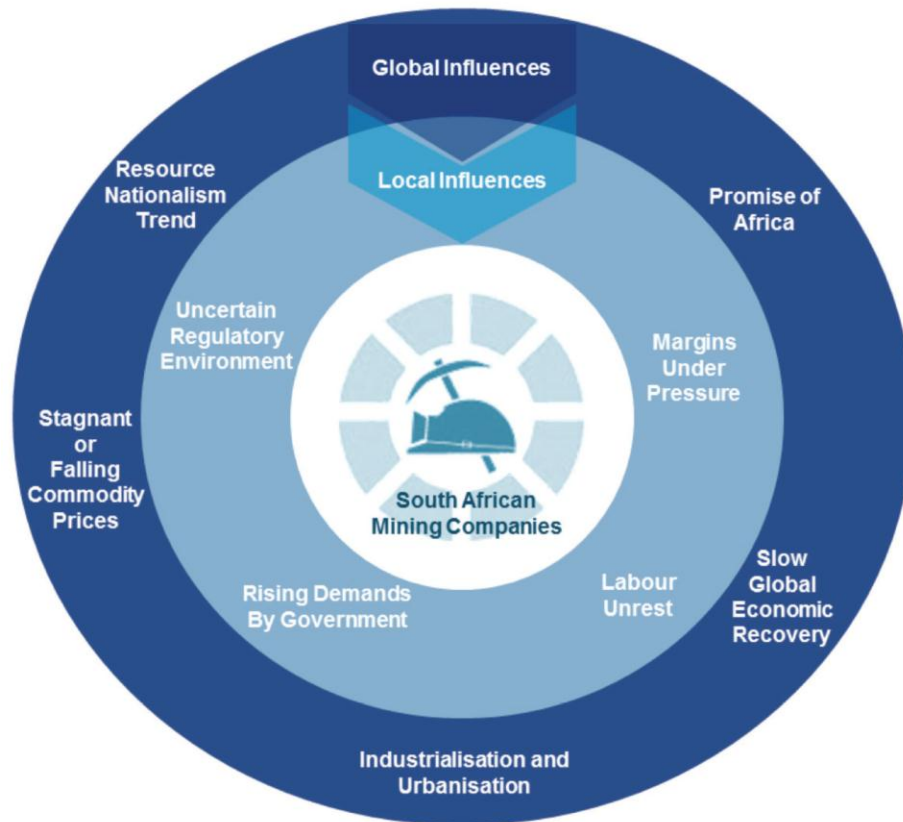
measures such as level of absenteeism, staff turnover and a number of industrial action by employees which can help to signal employee attitude and behaviour.

As a construct of operational performance, operational efficiency emerges as one of the central targets for a performing organization. Hussein (2013:13) argued that operational efficiency denotes the organization's ability to minimize waste of inputs and maximize resource utilization so as to deliver quality, cheaper products and services to their customers. Procurement efficiency is also right at the centre of attaining operational efficiency. This explains the increasing role of procurement practitioners in strategy formulation in an organization because procurement can actually deliver value. An increasing number of organizations are attributing their performance to their procurement strategies. Such outcomes highlight the importance of procurement performance.

2.9 MINING PERFORMANCE

To understand the performance of a mining company, one must familiarize themselves with the performance targets that a typical mine sets with respect to finance and market performance, operational performance and employee behaviour and attitudes. There is an underlying assumption that for best performance of a mining company, the best conditions and outcomes are set as targets. The reality is that the mine has control over some conditions and some it does not have control over. In the sense that attaining procurement efficiency is a deliberate capability that the company can build, its influence on company performance must be documented to inform decisions on building the capabilities. According to Lane, Guzek and Antwerpen (2014:197) the mining industry in South Africa finds itself in difficult situation where the operating conditions are tough, the socio-political environment is complex, and the financial performance has been under pressure. The following figure 2.1 is an illustration of global and local influences on mining companies in South Africa.

Fig 2.2 Performance challenges faced by mining companies in South Africa adapted from Lane et al, (2014:197)



The challenges which could effectively influence negatively or positively the performance of a mining company originate from the global environment as well as the local environment. According to Lane et al. (2014:197), factors in the global environment include:

- resource nationalization trend
- stagnant of falling commodity prices
- industrialization and urbanization
- slow global economic recovery
- promise of Africa.

Factors in the local environment include uncertain regulatory environment, rising demands by government, labour unrest and margins under pressure. Despite extensive

literature in identifying the factors negatively influencing performance in the mining sector, very little attempt has been met in quantifying the specific influence of individual factors. It is also possible that the attainment of procurement efficiency is influenced by factors not only in the local environment but also in the global environment. It will also be interesting to evaluate how both these set of factors relate.

Several arguments have been advanced in literature to give context to the factors that influence the performance of a mining company. The arguments may or may not relate to procurement efficiency, but it is important to highlight them in the furtherance of our understanding of performance in a mining company. Elevli and Elevli (2010:95) argued that low commodity prices have forced companies to decrease their unit cost by improving their productivity utilizing equipment as effectively as possible. In an environment where a company must lower unit cost procurement objectives lean towards service providers with lower cost. This is because the company must still unlock value for shareholders despite the prevailing market dynamics.

The weakening global economic conditions are forcing organisations to reinvent their relations with customers and suppliers alike. Thus, costs must be lowered throughout the procurement process by focusing on value addition. Bottlenecks must be removed, and performance measurements focus on total system efficiency and equitable reward distribution to key players in the process; to achieve win-win situations. The working principle is to create customer satisfaction at the end point of delivery and continuous improvement of process. UNECA (2017:20) observed that theory and global experience show that urbanization and structural transformation such as industrialization are closely linked, but less so in Africa. Adam, Csaki, Prier and Buffacchi (2012:77), states that procurement decisions are often connected to broader undertakings which involve significant investments within the organization.

2.10 CHAPTER SUMMARY

The literature review covered the following topics, the definition of procurement efficiency, procurement performance, the challenges in attaining procurement efficiency, organizational performance, measuring and enhancing procurement efficiency.

3 CHAPTER 3: RESEARCH METHODOLOGY

3.1 INTRODUCTION

In this chapter the research methodology is presented by discussing the research design, the research methods, methods of data collection, sampling techniques, the survey instrument, the interview guide including the actual interview process. In other words, the chapter is the presentation of the structure of the logical enquiry and the method of data collection. The research design is discussed in the next section.

3.2 RESEARCH DESIGN

A research design is a procedural plan that is adopted by the researcher to answer questions validly, objectively, accurately and economically (Kumar, 2011:96). According to Walliman (2011:13) the research design provides a framework for the collection and analysis of data and subsequently indicates which research methods are appropriate. Accordingly, therefore, the research design is the integration of different components of the study into a coherent and logical structure that addresses the research problem.

Several research designs are available for the researcher to pick from in order to give a viable answer to the specific question of the research. Walliman (2011:9) provided the list of research design as including and not limited to descriptive, correlation, comparative, experimental, simulation, evaluation, action and ethnological design. According to the definitions of research design above, which are in sync, the choice of a research design to be employed is determined by its ability to answer the research question validly, objectively, economically and effectively.

The main research objective of the study is to investigate the influence of procurement efficiency on the performance of a mining company. The descriptive research design is sufficient to provide a viable answer to the research question in this study. A descriptive research design helps to provide answers to the question of who, what, when, where and

how associated with the particular research problem. Walliman (2011:10) stated that descriptive research design attempts to examine situations in order to establish what is the norm, what can be predicted to happen again under the same circumstances. A descriptive study attempts to describe systematically a situation, problem, phenomenon, service or programme (Kumar, 2011:30). Thus, the descriptive design will allow for the systematic description of the influence of procurement efficiency on the performance of a mining company. Using the descriptive research design will enable the researcher to obtain the information concerning the current status of the problem and to describe what exists with respect to variables and conditions in a situation. The research method is discussed in the next session.

3.3 RESEARCH METHOD

Walliman (2011:7) research methods are the practical techniques used to carry out research and they are the 'tools of the trade' that make it possible to collect information and to analyze it. According to Macdonald and Headlam (2011:7) research methods are the tools used to explain social phenomena and often it is more possible to challenge conclusions if you are at least conversant with the variety of methodologies and tools applied. In other words, a research method is a mode of data collection which also flows from the need to viably respond to the research question. Three types of research methods are in existence namely, quantitative, qualitative and mixed methods (Macdonald and Headlam 2011:8; Creswell 2009:121).

Greener (2008:17) stated that quantitative research is based on the measurement of quantity or amount and is applicable to the phenomena that can be expressed in terms of quantity. According to Kumar (2011:343) quantitative method is rooted in rationalism, follows a structured, rigid, predetermined methodology, believes in having a narrow focus, emphasizes greater sample size, aims to quantify the variation in a phenomenon, and tries to make generalizations to the total population. The quantitative method, therefore, involves collecting objective data from representative samples and generalizing outcomes over the population. The underlying assumption of the quantitative method is

that reality or knowledge is objective and can be detached from the views and opinions of those affected by the problem. A mixed method combines approaches from both qualitative and quantitative methods with a view to expand the enquiry or validate outcomes and generate theory as well as proving them.

According to Creswell (2009:22) qualitative research is a means for exploring and understanding the meaning individuals or groups ascribe to a social or human problem. The process of research involves emerging questions and procedures, data typically collected in the participant's setting, data analysis inductively building from particulars to general themes, and the researcher making interpretations of the meaning of the data. Kumar (2011:343) argued that qualitative research is based upon the philosophy of empiricism, follows an unstructured, flexible and open approach to enquiry, aims to describe than measure, believes in in-depth understanding and small samples, and explores perceptions and feelings than facts and figures. In other words, qualitative research method involves collecting the views and descriptions of those who are directly affected by the phenomenon. Their views and descriptions shape the researchers understanding of the reality, hence a qualitative research method is subjective. Qualitative research is thus suitable for the descriptive research design, viably answering the research question and will be employed in this study.

3.4 TARGET POPULATION AND SAMPLE

According to Kumar (2011:59) the target population are the people from whom the information is collected which can be the individuals, groups and communities. Walliman (2011:94) stated that the population is a collective term used to describe the total quantity of things (or cases) of the type which are the subject of your study. The population is a universal set of the subjects affected by the problem under investigation. The population for the study this study are all employees of a single mine. The mine has a staff complement of 640 employees, excluding contractors.

The researcher selected a sample from the target population. A sample is a subset or selection of the target population from which information is collected for the study. The process of selecting a sample from the target population is called sampling. According to Walliman (2011:93) the process of selecting just a small group of cases from out of a large group is called sampling. According to Creswell (2009:155) two sampling techniques can be employed in research namely probability sampling and non-probability sampling. Sampling designs can be classified as random/probability sampling designs, non-random/non-probability sampling designs and mixed sampling designs (Kumar, 2011:194). Random/ probability sampling involves giving members of the target population an equal chance of selection. Non-random/non-probability sampling involves conveniently or purposefully selecting the members of the target population accessible to the researcher. Probability sampling is normally associated with the quantitative method whilst the non-probability sampling is associated with the qualitative method.

In the case of this study, the nature of the phenomenon, the design and the qualitative method impresses upon the researcher to employ the non-probability sampling techniques in selecting the sample. The question of the representativeness of the sample and the need to generalize outcomes to the population is not required. The sample size is controlled by the point of saturation which is the point at which interviewing the next participant does not generate new data.

Sampling techniques are classified into probability sampling techniques and non-probability sampling techniques. According to Kumar (2011:42) there are three categories of sampling design random/probability sampling designs, non-random/non-probability sampling designs and 'mixed' sampling design. Bacon-Shone (2015:35) stated that probability sampling techniques subject all members of the population to an equal chance of selection and all sampling units have a known non-zero probability of selection. Non-probability sampling techniques are subjective techniques which rely on the researcher to select participants that are conveniently accessible or purposefully accessible to him or her.

Examples of probability sampling techniques include simple random sampling and stratified random sampling which are usually associated with quantitative research methods. Purposive sampling techniques or convenient sampling techniques, quota sampling techniques, accidental sampling technique, judgmental sampling technique, expert sampling technique and snowball sampling techniques are examples of non-probability sampling techniques which are associated with qualitative research methods (Kumar, 2011:188).

This study utilizes a qualitative research method and the choice for selecting the sampling technique is between purposive and snowball sampling techniques. Snowball sampling techniques is used in instances where members of the population are difficult to identify. The researcher identifies one participant who will lead to the other and the other to the other until the point of saturation is reached. The point of saturation is that point at which interviewing additional participants will not generate new data. For the purpose of this study the researcher employed the convenient sampling in which the researcher will use her judgement to identify the participants who are accessible to her for selection in the sample. To enrich the outcome the researcher will selected participants from senior employees working in the procurement and finance departments. The sampling frame consist of 88 employees from the two departments. The research instrument is discussed in the next section.

3.5 RESEARCH INSTRUMENT

A research instrument is the instrument that is used to measure the outcome. A research instrument is used to collect data (Cresswell, 2009:149). Data can be collected using several instruments that include experiments, interviews, questionnaires, observations and focus groups. Abawi (2013:1) argued that depending on the type of research, the methods of data collection include documents review, observation, questioning, measuring, or a combination of different methods. In this study the researcher used interviews as the primary data collection instrument. According to Bacon-Shone (2015:49)

good interview questions can elicit data about whom, when, why, where, what, how and with what results.

According to Walliman (2011:99) interviews are more suitable for questions that require probing to obtain adequate information. Abawi (2013) stated that interviews consist of collecting data by asking questions and data can be collected by listening to individuals, recording, filming their responses, or a combination of methods. There are three types of interviews namely structured, semi-structured and unstructured interviews (Abawi, 2013; Walliman 2011:99). A semi-structure interview will be employed for the purpose of this research to give the research a flexibility to probe on answers while following a structure. A semi-structured interview includes structured and unstructured sections with standardized and open type questions. An interview guide was used to give the interview structure. The interview guide is presented in the next section.

3.6 THE INTERVIEW GUIDE

The interview guide is divided into section A and section B. Section A contains the relevant demographic profile questions for participants. Section B contains the research specific questions that addresses the research questions and problem. The interview guide is as follows;

Section A: Demographic Profile Information

1. What is your gender?
2. What is your seniority level?
Senior level ☐ Middle level ☒ Entry level ☐ General employee ☐
3. How long have you been employed by the mining company?
4. In which department, do you work from?
5. How are you involved with procurement?
6. How are you involved with performance management of the mine?
7. What is your highest level of education?

Section B: Research Specific Questions

8. What do you understand by procurement efficiency?
9. What do you understand by organizational performance management?
10. How can the company attain procurement efficiency? Has it been attained by the company?
11. How does the company manage its performance?
12. What is the role of procurement efficiency in performance management process of a mining company?
13. Is performance management affected in any way by procurement efficiency? Explain?
14. What can be done to alter the relationship between procurement efficiency and performance management for the better?

3.7 DATA COLLECTION PROCEDURE

The researcher executed the following self-created procedure:

1. Identified the participants using the convenient sampling technique in which the researcher created a list of participants in the sampling frame.
2. The researcher made an appointment with participant starting with those that are easily accessible to her.
3. Once an appointment had been confirmed, the informed consent from the participant was obtained by delivering the request for participation letter and retaining signed consent forms.
4. Consent was also sought for the use of a digital recording device. A digital recording device assisted the researcher to maintain the quality of the interview without the pressure to record the interview simultaneously.
5. The interviewer introduced herself and the purpose of the study and then proceeded with the questions in the questionnaire guide. The researcher probed where necessary and added any emerging and relevant questions.

3.8 DATA ANALYSIS

According to Flick (2013:5) qualitative data analysis is the classification and interpretation of linguistic (or visual) material to make statements about implicit and explicit dimensions and structures of meaning-making in the material and what is represented in it. The process of qualitative research involves emerging questions and procedures, data typically collected in the participant's setting, data analysis inductively building from particulars to general themes and the researcher making interpretations of the meaning of the data (Cresswell, 2009:4). Accordingly, data analysis is the extraction of meaning from the data collected through the interviews. The meaning may be relevant to answering the research questions or generate an emerging issue from the study.

Cresswell (2012:261) identified six interrelated steps in qualitative data analysis and interpretation which starts with preparing and organizing data for analysis, exploring and coding of the data, coding to build description and themes, representing and reporting qualitative findings, interpreting the findings and validating the accuracy of the findings. The six steps of qualitative data analysis as proposed in (Creswell 2012:261) will be utilized as follows:

Step 1: Prepare and Organize the Data for Analysis

The interviews recorded on the digital recorders will be transcribed using codes to ensure the anonymity of participants. No piece of information transcribed will be linked to the identity of any participants. Participants will be named from participant 01 up to participant 06. The participant's conversation with the researcher will also be coded question by question. Creswell (2012:261) argued that in a qualitative study, initial data management consists of organizing the data, transcribing interviews and typing fieldnotes, and making the decision to analyze the data by hand or by computer. The researcher analyzed the data by hand.

Step 2: Explore and Code the Data

Once transcribed, the data was analyzed by hand question by question. Responses from all participants on a question were first placed into classes and the themes that describe the classes and specific themes that describes the classes. The themes were sorted into major and minor themes per question and only the relevant themes were used as points for discussion in the research. The process is in line with arguments in Creswell (2012:261) that qualitative researchers conduct a preliminary analysis of the data by reading through it to obtain a general sense of the data. Major analysis of qualitative data consists of coding the data. The process of coding is one of reducing a text or image database to descriptions and themes of people, places, or events. It involves examining the text database line by line, asking oneself what the participant is saying, and then assigning a code label to the text segment.

Step 3: Coding to Build Description and Themes

To build discussion and narrative around the identical themes, the researcher coded the participants with viewpoints per question and broaden a complete discussion around each major theme. Codes are then used to develop descriptions of people and places and they also are used to develop themes that present a broader abstraction than codes (Creswell, 2012:261).

Step 4: Represent and Report Qualitative Findings

Qualitative researchers represent their findings in visual displays that may include figures, diagrams, comparison tables, and demographic tables (Creswell, 2012:262). The researcher reported the findings in narrative discussions comprising many forms, such as a chronology, questions, or commentary about any changes that the participants experience.

Step 5: Interpret the Findings

Once the outcomes have been represented and reported, the researcher interpreted the findings within the context of the research questions, objectives and discussions in

literature. According to Creswell (2012:262) this interpretation consists of advancing personal views, making comparisons between the findings and the literature, and suggesting limitations and future research.

Step 6: Validate the Accuracy of the Findings

To check the accuracy of their research, qualitative inquirers often employ validation procedures such as member checking, triangulation, and auditing (Creswell, 2012:262). The researcher reviewed the research as evidence of the accuracy of the information in the qualitative report.

3.9 ETHICAL CONSIDERATION

Ethical considerations in social research entails that the execution of the research does not cause harm to participants. According to Macdonald and Headlam (2009:59) there are six key principles of ethical considerations in research which are as follows:

1. The research should be designed, reviewed and undertaken to ensure integrity and quality. The researcher ensured that the design of the research methodology followed a scientifically acceptable standard. The design decisions were informed by knowledge already in existence in literature.
2. The research staff and subjects must be informed fully about the purpose, methods and intended possible use (Macdonald & Headlam, 2009) of the research, what their participation in the research entails and what risks, if any, are involved. The researcher obtained the informed consent by issuing a letter requesting consent from the participants. The letter explained the academic purpose of the research, gave guarantees on confidentiality and anonymity, explain the voluntary nature of participation and the rights of the participant to withdraw from the research at any given time.
3. The confidentiality of information supplied by research subjects and the anonymity of respondents must be respected;
4. Research participants must participate in a voluntary way, free from any coercion;

5. Harm to research participants must be avoided;
6. The researcher received ethical clearance from the Research Ethics Committee of the faculty.

3.10 CHAPTER SUMMARY

The research methodology included the discussion of the sampling methods, the compilation of the survey instrument, the interview guide including the actual interview process, the study participants and the data collection.

4 CHAPTER 4: PRESENTATION OF RESULTS AND DISCUSSION

4.1 INTRODUCTION

In this chapter the results from the qualitative data analysis are presented together with the ensuing discussion. The outcomes of the literature are controlled to keep alignment with the objectives of the study. The demographic profile of the sample is presented in the next section.

4.2 DEMOGRAPHIC PROFILE OF THE SAMPLE

Qualitative study employs the use of small samples that are conveniently selected (source). In this study, semi structured interviews were self-administered to six participants upon reaching the point of saturation. The six participants were middle to senior management of a single mining company. Further details of participants' profile are represented in Table 4.1 below:

Participants	Gender	Seniority level	Years of employment	Department	Role in Procurement	Role in Performance Management	Highest level of education
Participant 1	Male	Senior level	35	Procurement	Ensure that there is a smooth procurement process	Ensure that the material is received on time	Certificate
Participant 2	Male	Middle level	8	Finance	Assist with queries relating to purchase requisitions	Financial reporting	Masters degree
Participant 3	Male	Senior level	3	Finance	Support function assist with queries	Provides the financial reports	Honours degree
Participant 4	Female	Senior level	7	Procurement	Head of procurement	Assist with KPI's and strategies for better performance	Honours degree
Participant 5	Female	Middle level	5	Procurement	Ensure that commodities are purchased at the right price	Ensure that the required material is delivered on time	Bachelors degree
Participant 6	Male	Senior level	6	Procurement	Managing all commercial transactions	Indirectly, Only by ensuring timely delivery of requested goods and services.	Masters degree

Table 4.1: Demographic profile of participants

The sample comprised of four males and two female participants. The gender profile is consistent with that of the population. There are four males for every female employee in middle to top management positions at the mine (cite). Of the six participants four are senior managers and two are middle managers. It was easier to get senior managers as participants in the study than for middle managers due to scheduling constraints. Kakwezi and Nyeko (2010:1) argued that in most developing countries the procurement function is transitioning from a clerical non-strategic unit to a senior management level strategic unit that is able to influence decisions and add value.

The experience of participants ranged from three to thirty-five years. The range of work experience is consistent with the minimum of three years required of an informant in this study. Two departments namely the finance and the procurement were represented, of which two participants work in the finance department and four participants work in the procurement department. Subsequently, the role of those in procurement is to manage the full process of procurement and those in the finance department offers support to the procurement function. The procurement function is closely related to the finance function and in some instances both functions falls under one umbrella. The highest level of education of participants ranged from the certificate to a master's degree. The sample of participants in this study qualifies as informants of the phenomena under investigation.

4.3 PRESENTATION OF THE RESEARCH SPECIFIC RESULTS AND DISCUSSION

Several themes emerged from the data analysis process on research specific data. The themes include understanding procurement efficiency, understanding performance management, attaining procurement efficiency, managing performance of an organization, the role of procurement efficiency in the performance management, the effect of procurement efficiency on performance management, improving the relationship between procurement efficiency and performance management.

4.3.1 Theme 1: Understanding procurement efficiency

According to Millet and Agrawal (2014:1) for most if not all irrespective of where they are on the procurement journey there is continual pressure to deliver and sustain value year on year with limited resources and budget. Barasa and Namusonge (2017:2148) stated that the efficiency frontier is a concept in operations that states that an organization is efficient if it has the highest perceived value or service level for a given cost. So, it is clear from these definitions that procurement efficiency is the delivery of value through least cost procurement processes. Participants demonstrated that they understood what procurement efficiency stands for. One participant had the following to say;

“Getting the required service at the best possible price. That’s text book answer. In my opinion it is not always clear-cut, sometimes you will have a service that will cost x amount, but that service has a huge implication down the line in revenue generation scenario. Example, if you need something quickly you can wait 3 months to get it at the best possible price, but then the other spectrum of things you sitting with a plant potential that is not performing optimally and you losing gold for procurement efficiency. You need to have a holistic view of whatever scenario you’re operating in, not only looking at cost but also looking at the ripple effect of your actions down the line. Find the balance between cost saving and also not impacting on the business between short to medium term.”

And another participant contributed that;

“It is the speed (looking at short times) at which the process performed by the procurement discipline are completed. The faster, the more efficient. However, without compromising on value, compliance, and governance.”

Another participant illustrated procurement efficiency and had the following to say;

“You need someone that can do the job, understand what they need to buy, where, who to buy it from, understand basically the detail of what they need to buy at the end of the day, to make it easier for the foreman to get the products in time and accurately.”

It is thus clear that to attain procurement efficiency, procurement processes need to be relevant, reliable (in the short-term and long-term period), consistent and cost effective.

It is clear that participants have a good understanding of what procurement efficiency entails.

4.3.2 Theme 2: Understanding organizational performance

Byremo (2015:10) stated that performance in any organization has its roots in attaining the overall objective of the organization and it can be divided into financial and market performance, operational performance and employee attitude and behaviour. Accordingly, the performance of a mine can be measured against such objectives as are financial, market, operational, employee attitude and behaviour. One participant had the following to say;

“...Organizational performance you cannot manage everything 100% need to look at key items that will impact the business. So, in our business we look at the staff that we can control and the tonnages that we put through to the plant the recovery that we can get from the grade, the grade is also a factor we can't increase it or decrease it.”

Another participant also had the following to say;

“My understanding of performance management is the measuring of performance indicators, understand what your targets are, understand what is required performance management is to be able to measure that so you can have people that are accountable for their task and their own performance.”

Performance management is a concept that is linked to organizational performance. Organizational performance entails setting targets and standards for the organization whilst performance management entails managing the daily activities of the organization towards achieving the targets and standards set. The targets and standards are set in all the functions of the organization such as finance, market, operational and human

resources. Participants were well versed in these linkages between organizational performance and performance management. One participant had the following to say;

“Performance management is to make sure that the output from the finance point of view is credible to make decisions that will have an impact on the mine’s overall performance, looking at the high-level point of view it boils down to limited resources that we need to apply in such a manner that maximizes if we look at the volumes that we are processing in the plant, it is high volume, low margin obviously you have to know the dynamic about volume is key to put through as many volumes as possible that becomes a major KPI that you need to check.”

And another had the following to say about performance management;

“It is the way in which a discipline handles and ensures performance (service delivery) is kept at the agreed levels (SLAs).”

Participants’ views align with the definition for organizational performance provided above in literature.

4.3.3 Theme 3: Attaining procurement efficiency

Most of the participants were of the view that the organization has not yet attained procurement efficiency. A participant had the following to say;

“...We are getting there, we are dealing with lean and mean structure due to a voluntary severance package process and we are still trying to put things on contract to create efficiency for business.”

And another participant said;

“So, I don’t think we are there yet, but we have a common goal we just need to execute it.”

It seems therefore that even if the company has been in operation for a while, attaining procurement efficiency have alluded it or it could be a question of not focusing on tracking the outcomes of procurement efficiency. The construct of procurement efficiency is not a new concept which an old company, like the mining company in question, would be expected to have mastered as it is believed to benefit company performance. The fact that sample participants are in agreement that procurement efficiency has not been attained may be indicative of the company's attitude towards procurement efficiency. Such an attitude would be a departure from findings in (Mutai 2015:4) that company performance benefits from attaining procurement efficiency in their supply chain. The responses from participants suggest that procurement efficiency is work in progress for the mining company. The suggestion is in line with the argument in (Mutai, 2015:3) that improving supply chain is a continuous process that requires an analytical performance measurement system.

Okinyi and Muturi (2016:1) observed that procurement suffers from a number of factors including poor performance characterized by red-tape measures, non-compliance to the act, overpricing, poor planning, poor contract management, redundancy, corruption, inadequate transparency and accountability. In other words, to attain procurement efficiency the process of procurement must be free of red tape measures, the must be full compliance to the act, control overpricing, properly planned, transparent and having a great deal of accountability.

Active contract management, integration of procurement efficiency and performance management, constant stakeholder engagement, alignment of procurement objectives with vision, clearly defined roles within the procurement process, rally the departments around a common vision and visibility of data were identified as requisites issues for the company to attain procurement efficiency. The suggested requirements, in this sample, for attaining procurement efficiency can address the factors identified in Okinyi and Muturi (2016:1).

One participant contributed that;

“Measuring and maintaining Production levels, cost per ounce, Safety levels,

financial flexibility, quality of its portfolio. In line to the 5 strategic pillars of the organization.”

Another participant had the following to say;

“We have put a lot of governance and compliance so that if things are on contract our business cannot go off contract to do it because obviously, we have strategic relationships in place and we are managing those.

There is, however, awareness on what the company is required to do to attain procurement efficiency, although implementation can be militated against by a number of factors in the operating environment. Failure to transform awareness into performance could amount to missed opportunities for the mining company which may contribute negatively to the performance of the company. The discussion on how procurement efficiency can be attained leads into the interrogation of how the mining company can manage performance with or without attaining procurement efficiency.

Most participants were of the view that the organization had not yet attained procurement efficiency.

4.3.4 Theme 4: Managing performance of an organization

Participants were required to weigh in their opinions on how the company manages its performance. It became immediately apparent that performance management did not include the measurement of variables that directly explain procurement efficiency. The problem with this situation is that the influence of procurement efficiency on the performance of the company is obscured. This problem can partly explain the existence of an awareness on procurement efficiency despite the slow progress in attaining it. Attaining procurement efficiency is not given the attention it requires to drive company performance.

One participant had the following to say;

“The company ensures that their production targets are met, because the production targets are given to markets as guidelines as we are a listed company, there is awareness that we have to meet the budget and the general manager is empowered in their own spaces to ensure that they are meeting budget and they work with the individual teams to track their performances against budget.

The ideal situation is captured by one participant in isolation;

“By constantly monitoring commercial transactions ensuring SLAs are kept at the agrees levels, linking departmental employees KPIs to such desired delivery levels, engagements with stakeholders in order to manage expectations, and align business strategy on purchasing with procurement planning. With a high focus on delivering value based on cost reduction, increase controls, and ensure governance is followed, efficiencies have been neglected. Nevertheless, procurement is embarking on improving efficiency.”

The mining company has not placed procurement efficiency at the centre or as a significant part of its performance management. The outcome has been that, the need for attaining procurement efficiency has taken a back seat and as such current efforts on attaining it may be doomed as well.

Participants cited such variables as time frames, budgets, production schedules and cost as relating to production levels. While these variables are also linked to attaining procurement efficiency, the narrative is such that procurement efficiency is not a major objective for the company outside meeting production levels.

4.3.5 Theme 5: The role of procurement efficiency on performance management process

According to Musau (2015:12) organizational performance is achieved through among other ways the efficient procurement function. In other words, there is a positive influence by procurement efficiency on performance in an organization. Procurement efficiency is

thus a contributory factor requiring decision makers' consideration if they are to meet performance objectives in the company. The majority of the participants felt that procurement efficiency played a major role in the performance of the company.

One participant had the following to say;

“If I am not efficient, procurement is not efficient (eehh), in a mining company they talk about ‘boorblaas’ did you blast today? No sir I didn’t have material okay so now that’s all that matters. So here is the question if you they don’t have material because procurement did not ensure that they have material on site, they don’t have material because someone hijacked his material car on the way down and I have seen that before. Because they didn’t blast because they didn’t have the material it means that the gold doesn’t come out it means the company is not performing. What do we sell, we only sell gold we are the price takers not the price makers the rest of the world decides the gold price? So, the company has to perform to get that. Procurement plays a role in performance of the company because if we don’t buy at the right price, quality and all that we will not be able obtain the goal of having all in sustaining cost below \$800oz.”

Participants are of the view that procurement efficiency is the major factor in attaining performance management if not the most important factor. The argument is based on the fact that mining companies are price takers and as such procuring inputs at the right price and quality determines company performance. Company performance is usually measured in financial terms whereof the reduction of all in-costs enhances profitability and subsequently performance. Consistent with the value chain model, procurement efficiency objective is attained right at the beginning of the value chain and all things being equal directly influences the value proposition of the company right at the end. Thus, true to the principle of garbage in garbage out, the performance of a mining company is more directly linked to the activity of the procurement department. To highlight the discussed point another participant had the following to say;

“It actually helps speed up projects, it actually decreases input cost to the mine, therefore making their project and their business more profitable.”

Since the mining company has no control over the gold price, the company must ensure that the cost saving is attained through procurement by reducing the input cost. The contribution by participants on this theme may also help to explain the increasing attention given to supply chain management and strategies by decision-makers. This is because, as it seems, supply chain management and in particular the attainment of procurement efficiency plays a profound role in performance management of a mining company. **The list of identified roles were increasing efficiency, performance, value realization, compliance, governance, service delivery, support structure for performance goal, catalyst for speeding projects and enhancing profitability.**

4.3.6 Theme 6: The effect of procurement efficiency on the performance management process

The question on the effect of procurement efficiency on the performance management was a follow-up to the question on the role played by procurement efficiency on managing company performance. The follow-up question was designed to interrogate participants on what they felt was the effect, negative or positive, of pursuing procurement efficiency on performance management of the company. The sample participants were in agreement and resolute that only positive effects on company performance are attributable to the construct of procurement efficiency.

One participant had the following to say;

“Absolutely – it is support structure and service to the mine as a whole if we are not positioned in a way to be able to provide that service, to be able to have that service we would most definitely influence the performance of the company as a whole, I think it would be in terms of typical raw material not be able to secure mine by obtaining everything at fair value, ensuring that we are saving, service at right price we can definitely influence the performance of the company.”

Another participant had the following to say;

“Yes, definitely- the more efficient the procurement process, the quicker the turnaround time procurement efficiency also needs to have processes meaning that you can already identify all your key supplier for goods and services at the best prices. Efficiency is improving as we are getting more products on contract, make sure that the prices are reasonable and then obviously, it makes the whole process efficient. If a product is needed we already have a supplier, we know that it already went through a procurement process. This reduces their workload procurement already as they don’t have to look for the best price, they don’t have to go through different suppliers.”

The participants agreed that only positive effects on company performance are attributable to procurement efficiency.

4.3.7 Theme 7: Improving the relationship between procurement efficiency and performance management

It is evident that procurement efficiency is a central theme in procurement functions. The prescriptions of procurement efficiency are not easily achievable. Companies and in this case including the study relevant mining company are constantly making efforts towards closing gaps in attaining procurement efficiency. Participants were required, in the final theme to suggest measures that can be deployed to alter the relationship between procurement efficiency and performance management.

One participant had the following to say;

“The communication between the business and procurement is key, no misunderstandings. Relationships will be better if we improve the communication.”

Another participant said;

“For me it’s open discussion and communication and we must have clear KPI’s and SLA, I think if the procurement function can agree SLA with business and on

a monthly basis track against the SLA's and the key performance indicators that's how we can bridge this gap."

And another participant said;

"Introduce real and reasonable links into the Procurement KPIs that talks to the Performance management of the company, so that to ensure delivery times, planned stock, services, and any related procurement activity that directly impacts the company (operational) performance are in sync with those of production."

Participants identified training and development, decentralizing procurement efficiency, enhanced communication, integration of procurement efficiency at all levels of the organization and linking procurement efficiency and performance management key performance indicators as measures required to alter the relationship between procurement efficiency and managing company performance.

4.4 CONCLUSION

In order to attain procurement efficiency, procurement processes need to be relevant, reliable (in the short-term and long-term period), consistent and cost effective. Performance management is a concept that is linked to organizational performance, whereas organizational performance entails setting targets and standards for the organization whilst performance management entails managing the daily activities of the organization. It seems therefore that even if the company has been in operation for a while, attaining procurement efficiency have alluded it or it could be a question of not focusing on tracking the outcomes of procurement efficiency.

Company performance is usually measured in financial terms whereof the reduction of all in-costs enhances profitability and subsequently performance. It is evident that performance management did not include the measurement of variables that directly explain procurement efficiency. Only positive effects on company performance are attributable to the construct of procurement efficiency. Training and development,

decentralizing procurement efficiency, enhanced communication, integration of procurement efficiency at all levels of the organization and linking procurement efficiency and performance management key performance indicators were identified as measures required to alter the relationship between procurement efficiency and managing company performance.

4.5 CHAPTER SUMMARY

The themes emerging from the data processing were identified, discussed and literature controlled with a view to provide a viable answer to the study's research questions.

5 CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

This chapter provides a conclusion of the research based on the methodology and the research outcomes. The conclusion based on the methodology is discussed in the next section.

5.2 CONCLUSION BASED ON THE RESEARCH METHODOLOGY

- The qualitative research approach utilised in this study viably allowed the researcher to gain an in-depth understanding of the influence of procurement efficiency on the performance of a mining company.
- A number of theories were generated on the relationship between procurement efficiency and the performance of a mining company. These theories may require further testing through utilizing quantitative approaches.
- The process of qualitative data analysis, particularly where several themes emerge, is confined to the ability and knowledge of the researcher giving rise to the possibility of under and over analysis.

5.3 CONCLUSION BASED ON THE RESEARCH OUTCOME

There is an understanding of the construct of procurement efficiency and managing performance of a company among the managers of the mine. Mining companies are faced with real challenges in attaining procurement efficiency, although the knowledge of what it is exist. One of the challenges is the inability to fully integrate procurement efficiency into the process of managing the performance of the mining company. The failure to fully integrate procurement efficiency into organizational performance management is notwithstanding the fact that managers believe integration can lead the mining company towards attaining procurement efficiency. Managers are convinced that

procurement efficiency increase efficiency, performance, value realization, compliance, governance and service delivery. They also identified procurement efficiency as a support structure for performance goal, catalyst for speeding projects and an enhancer of profitability.

5.4 CONCLUSION OF THE THEMES

Theme 1: It is clear that participants have a good understanding of what procurement efficiency entails. verbatim

Theme 2: Participants' views align with the definition for organizational performance provided above in literature.

Theme 3: Most participants were of the view that the organization had not yet attained procurement efficiency.

Theme 4: Participants cited such variables as time frames, budgets, production schedules and cost as relating to production levels. While these variables are also linked to attaining procurement efficiency, the narrative is such that procurement efficiency is not a major objective for the company outside meeting production levels.

Theme 5: Except for one participant who could not find a linkage between procurement efficiency and performance management, most the participants identified the role of procurement efficiency as related to company performance.

Theme 6: The participants agreed that only positive effects on company performance are attributable to procurement efficiency.

Theme 7: Participants identified training and development, decentralizing procurement efficiency, enhanced communication, integration of procurement efficiency at all levels of the organization and linking procurement efficiency and performance management key performance indicators as measures required to alter the relationship between procurement efficiency and managing company performance.

Research question 1: What is the criteria for defining procurement efficiencies?

The term efficiency suggests that procurement systems should be designed to use less resources to produce more in value.

Research question 2: Which tools are used to attain procurement efficiencies?

Active contract management, integration of procurement efficiency and performance management, constant stakeholder engagement, alignment of procurement objectives with company vision, establishing clearly defined roles within the procurement process, rallying the departments around a common vision and ensuring visibility of data were identified as tools that can be used by the company to attain procurement efficiency.

Research question 3: What are the perceptions of the decision-makers on the relationship between procurement efficiencies and performance management?

Decision makers are of the view that procurement efficiency positively influences organizational performance.

Research question 4: What is the role of procurement efficiency on organizational performance?

Procurement efficiency increases operational efficiency, organizational performance, value realization, compliance to regulations, good governance, profitability and service delivery being variables that characterizes the performance of a mining company

5.5 RECOMMENDATIONS OF THE STUDY

- It is recommended that the mine should seek professional assistance to help with the integration of procurement efficiency and organizational performance

management. The integration of procurement efficiency and organizational performance management is key to attaining procurement efficiency.

- Mining organizations must prioritize attaining procurement efficiency objectives as a key source of organizational performance. Mining companies are price takers and thus more value can be generated if all aspects of the organization are focused on attaining procurement efficiency.
- Roles within the procurement processes should be clearly defined and understood across all functions and employees of the organization.

5.6 RECOMMENDATIONS FOR FUTURE STUDY

- This study was limited to the views and perspectives of management in one gold mine. A future study collecting data from managers, employees and suppliers from a number of organizations is recommended. Such a study would be instrumental in confirming the theories generated in the study.
- The theories generated in this study must be tested through conducting future quantitative studies that examine the relationships between variables theorized in this study.

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7 ADDENDUMS

7.1 INTERVIEW GUIDE

The interview guide is divided into section A and section B. Section A contains the relevant demographic profile questions for participants. Section B contains the research specific questions that addresses the research questions and problem. The interview guide is as follows;

Section A: Demographic Profile Information

1. What is your gender?
2. What is your seniority level?
Senior level ☐ Middle level ☒ Entry level ☒ General employee ☒
3. How long have you been employed by the mining company?
4. In which department do you work from?
5. How are you involved with procurement?
6. How are you involved with performance management of the mine?
7. What is your highest level of education?

Section B: Research Specific Questions

8. What do you understand by procurement efficiency?
9. What do you understand by organizational performance management?
10. How can the company attain procurement efficiency? Has it been attained by the company?
11. How does the company manage its performance?
12. What is the role of procurement efficiency in performance management process of a mining company?
13. Is performance management affected in any way by procurement efficiency? Explain?
14. What can be done to alter the relationship between procurement efficiency and performance management for the better?

7.2 TRANSCRIPTS

Participant 1

R:01 What is your gender?

P:01 Male

R:02 What is your seniority level?

P:02 Senior level

R:03 How long have you been employed by the mining company?

P:03 35 years

R:04 In which department do you work from?

P:04 Procurement-Global Shared services

R:05 How are you involved with procurement?

P:05 I ensure that contracts are in place, purchase orders processing runs smoothly, and the procurement processes are in place.

R:06 How are you involved with performance management of the mine?

P:06 I assist the mine by ensuring that the required material is received on time so that production can be achieved.

R:07: What is your highest level of education?

P:07: Certificate

R:08: What do you understand by procurement efficiency?

P:08: There is a need being identified, how quick with a minimum of delay can I get that need satisfied, the right need at the right cost, right price, quality and all those explained that is an efficient scenario. Procurement (pause) know what you want before you realize that you need it, would be the ideal. We never get there but if we know what is needed and at which particular day it will be needed. Efficiency how quick I can satisfy your need, the need of the company for that matter, in the shortest period of time, at the right cost, absolutely the right quality, at the same time build relationship with the guy that identified the need and the guy that supplies the item to fulfil the need.

R.09: What do you understand by organizational performance management?

P.09: In a surface environment, the product obtained to ensure the leaching gets done, if it's the wrong product the right quality the gold extraction will be impacted on.

So, that is the performance of the product.

In an underground environment, drilling needs to be done, it will not be done if the right product is not supplied therefore you will not be able to perform. A manager will perform based on how good the staff is. Process flow planning and execution the more you plan the more you execute, continuous improvement. Performance management is different for a finance person, a procurement person or a metallurgist.

R.10: How can the company attain procurement efficiency? Has it been attained by the company?

P.10: In our world it means I spend your money, your budget on things you don't want, that is what is perceived by the end user. It doesn't have to be accurate what you are going to buy, even if it is 70% it doesn't have to be a 100% commitment that I am going to buy so many bags of cement. For a capital project the day that the contractor is supposed to start, and you give procurement one day for that. You have to look at the project plan, design, drawing, feasibility study, procurement time is important, procurement means doing the correct job depending on the size of the project say 3 at least months, going to the market, you test the market, you review pricing. Planning in our world or lack of planning in your world does not create an emergency in my world and unfortunately in our world the mining industry we don't plan, we think we do. It's not all doom and gloom, the environment that we work in today this pipe works 100% the next minute it doesn't, we couldn't plan for that. NO. We have not attained procurement efficiency, I am not even going to justify that. They will show you all the power point presentations and say that we have achieved it but in actual fact we haven't.

R.11: How does the company manage its performance?

P.11: Procurement perspective there are time frames that we allow, ourselves to finish and we are in the process of changing that right now. Two or five years ago we were a much bigger company than we are right now, we don't have the buying power. We used to have a rule in the department, a straight forward purchase for a coded item would take 2 or 3 days, if it is on a contract then it is out of the buyer's hands which means the system places the order then you have the contract manger placing it. But you still have the non-contractual environment which will take about 7 days and you would question if it takes longer than 7 days' supply and delivery to process the order. If it is over R1 million make sure that you are putting the right information, it also depends on the information I get from the end user. I must buy exactly what the end-user requires with the correct description provided.

R.12: What is the role of procurement efficiency in performance management process of a mining company?

P.12: If I am not efficient, procurement is not efficient (eehh), in a mining company they talk about 'boorblaas' did you blast today? No sir I didn't have material okay so now that's all that matters. So here is the question if you they don't have material because procurement did not ensure that they have material on site, they don't have material because someone highjacked his material car on the way down and I have seen that before. Because they didn't blast because they didn't have the material it means that the gold doesn't come out it means the company is not performing. What do we sell, we only sell gold we are the price takers not the price makers the rest of the world decides the gold price? So, the company has to perform to get that. Procurement plays a role in performance of the company because if we don't buy at the right price, quality and all that we will not be able obtain the goal of having all in sustaining cost below \$800oz.

R.13: Is performance management affected in any way by procurement efficiency? Explain?

P.13: I have given you an explanation of the boorblaas, had the material been there, no problem. Classic example a timber supplier is having a hard time getting raw material at the right price, he wants all he wants to do is pass all the increase in cost to us. There have been negotiations and he become hardkop and says as of Friday I will no longer deliver. Now support is production critical and safety is critical. He then goes to the general manager and tells him that he will no longer deliver, now we are talking an eight-figure contract. The GM's world is immediately affected, and his boss will be on his case as he will not be able to produce. From a production efficiency procurement does play a role.

R.14: What can be done to alter the relationship between procurement efficiency and performance management for the better?

P.14: Lack of planning in your world does not create an emergency in my world. We are in a production mining and it is not a beautiful factory floor. So firstly, I must know what I need to buy and know who am I buying it for. It doesn't help I sit here in this office and the person I need to buy for need 50 widgeits and I don't know who this person is. Maybe I should get in my car and go meet this person and find out how many widgeits do you need and have a cup of coffee. How to alter the relationship by having a relationship with your client. As a procurement person you must have the guts and stick to the policy regardless who you are dealing with.

This is the end of the transcript for participant 1

Participant 2

R.01: What is your gender?

P:01 Male

R.02: What is your seniority level?

P.02: Middle level

R.03: How long have you been employed by the mining company?

P:03: 8 years

R.04: In which department, do you work from?

P.04: Finance

R.05: How are you involved with procurement?

P.05: I assist with the purchase orders queries and releasing of the purchase requisition.

R.06: How are you involved with performance management of the mine?

P.06: Indirectly, I provide the financial report from the cost management perspective.

R.07: What is your highest level of education?

P.07: Masters' degree

R.08: What do you understand by procurement efficiency?

P.08: You need someone that can do the job, understand what they need to buy, where, who to buy it from, understand basically the detail of what they need to buy at the end of the day, to make it easier for the foreman to get the products in time and accurately.

R.09: What do you understand by organizational performance management?

P.09: You need to manage the people you're working with, so that they do what needs to be done, make calls on what/how they need to do the job. When someone else is not there they need to do the job without interference. They do not have to look over their shoulder every time they need to do their job.

R.10: How can the company attain procurement efficiency? Has it been attained by the company?

P.10: To answer the second part I don't think it has been attained. They have people in the department, they get other departments involved, look into the procurement efficiency in the department, so I think, get them more involved, they are there and it's that specialty at the end of the day. They need to get them involved to make procurement process easier as it is currently not the easiest process to follow.

R.11: How does the company manage its performance?

P.11: By performance management appraisal which is done at the beginning of the year, mid-year, and end of the year, that depends on the department. So if they can manage that, they can basically manage the company.

R.12: What is the role of procurement efficiency in performance management process of a mining company?

P.12: If you don't have procurement, you are not going to buy the right product in time, of the right quality. So, people working in that department have to know what they need to do, they need to understand what they are going to buy with the quality control in place, and lead times. You also don't want to carry stock for a long time for a mining company, sometimes it is a lot of money, therefore losing money that is not working for itself.

R.13: Is performance management affected in any way by procurement efficiency? Explain?

P.13: Yes, because if you are not efficient in the work that you are going to do, you are going to take longer time. If you understand what you need to do, that will influence PM which will basically make it easier or can make it worse overtime.

R.14: What can be done to alter the relationship between procurement efficiency and performance management for the better?

P.14: People need to understand what they need to do to get the job done on time to get more efficient. If they don't have the background or the resources that will influence performance management, they need to look at more training and understand what they need to do. Maybe the role is not a specialized role or it is specialized at the end of the day, training and study rewards to add more value to improve PM overtime and to add more value.

This is the end of the transcript for participant 2

Participant 3

R.01: What is your gender?

P.01: Male

R.02: What is your seniority level?

P.02: Senior level

R.03: How long have you been employed by the mining company?

P.03 3 years

R.04: In which department, do you work from?

P.04: Finance

R.05: How are you involved with procurement?

P.05: I am a middle man I generate purchase orders, assist with queries, quotes for tenders, I provide them with a support function.

R.06: How are you involved with performance management of the mine?

P.06: I am not directly influencing cost, my contribution is to give them the options from the financial point of view so that they can make decisions, giving them accurate information in terms of reports.

R.07: What is your highest level of education?

P.07: Honours degree

R.08: What do you understand by procurement efficiency?

P.08: Getting the required service at the best possible price. That's text book answer. In my opinion it is not always clear-cut, sometimes you will have a service that will cost x amount, but that service has a huge implication down the line in revenue generation scenario. Example, if you need something quickly you can wait 3 months to get it at the best possible price, but then the other spectrum of things you are sitting with a plant potential that is not performing optimally and you losing gold for procurement efficiency. You need to have a holistic view of whatever scenario you're operating in, not only looking at cost but also looking at the ripple effect of your actions down the line. Find the balance between cost saving and also not impacting on the business between short to medium term.

R.09: What do you understand by organizational performance management?

P.09: Performance management is to make sure that the output from the finance point of view is credible to make decisions that will have an impact on the mine's overall performance, looking at the high-level point of view it boils down to limited resources that we need to apply in such a manner that maximizes if we look at the volumes that we are processing in the plant, it is high volume, low margin obviously you have to know the dynamic about volume is key to put through as many volumes as possible that becomes a major KPI that you need to check. Performance Management you cannot manage everything 100% need to look at

key items that will impact the business. So in our business we look at the staff that we can control and the tonnages that we put through to the plant the recovery that we can get from the grade, the grade is also a factor we can't increase it or decrease it.

R.10: How can the company attain procurement efficiency? Has it been attained by the company?

P.10: I don't think we are there yet, big organizations sometimes get people working in silos. Engineers would look at production, and production is key. If you want to mess around with production, they will just say if you don't do it then 'You not gonna get the gold'. That's almost keeping other people hostage. Procurement people- they are looking at getting the goods and services at best possible prices saving the company money, but then they are also keeping us hostage by that. If you are not going to use this supplier then you are going to bypass the system, then just remember you not following the procurement processes, you are costing the company money. There is no linkage, no spectrum we are working in a sort of vacuum so there is no balance between cost saving and performance. So, I don't think we are there yet, but we have a common goal we just need to execute it.

R.11: How does the company manage its performance?

P.11: I think one thing that is key is accountability, which should apply in all departments. If you don't perform, you are going to be held accountable. Accountability is key, it needs to be applied at all times. People will sometimes avoid holding people accountable in order to avoid conflict.

R.12: What is the role of procurement efficiency in performance management process of a mining company?

P.12: It's not interlinked in our business units. We don't have anyone from procurement that sits in our production meeting. Bring all service departments closer, maybe by holding regular meetings. Get everyone around the same table for performance discussions. The bigger the organization, the more departments will be that will not be sitting at the table. Procurement plays an important role, there link with the operations is not there.

R.13: Is performance management affected in any way by procurement efficiency? Explain?

P.13: Yes, definitely the more efficient the procurement process, the quicker the turnaround time procurement efficiency also needs to have processes meaning that you can already identify all your key supplier for goods and services at the best prices. Efficiency is improving as we are getting more products on contract, make sure that the prices are reasonable and then obviously, it makes the whole process efficient. If a product is needed we already have a supplier, we know that it already went through a procurement process. This reduces their workload procurement already as they don't have to look for the best price, they don't have to go through different suppliers. In a perfect world, the procurement process should be only about reviewing contracts, which will be revisited each year and the whole process will be streamlined.

R.14: What can be done to alter the relationship between procurement efficiency and performance management for the better?

P.14: I think 90% of problems that we have is due to emails that are interpreted wrongly, 9 out of 10 times when we decided. The communication between the business and procurement is key, no misunderstandings. Relationships will be better if we improve the communication. All parties should have a common goal which is not to affect production but to get the items at the best possible price. Relationship management should revolve around knowing why the other person did what they did by having regular meetings.

This is the end of the transcript for participant 3

Participant 4

R.01: What is your gender?

P.01: Female

R.02: What is your seniority level?

P.02: Senior level

R.03: How long have you been employed by the mining company?

P.03: 7 years

R.04: In which department, do you work from?

P.04: Procurement

R.05: How are you involved with procurement?

P.05: I am heading up the procurement for the South African Region and Global

R.06: How are you involved with performance management of the mine?

P.06: We help the mine to meet their KPI's and strategies by ensuring that all their services and commodities orders are placed on time and also the capital projects are awarded on time.

R.07: What is your highest level of education?

P.07: Honours' degree

R.08: What do you understand by procurement efficiency?

P.08: Procurement provides a service to business, the more staff we have on contract the better it will improve procurement efficiency in terms of purchase requisition to purchase order in terms of cycle time. Procurement efficiency also has a value component to it, the value component is to optimize contract, and structure them correctly also to get vendor more performance from contract intended vendors with KPI's to measure them that helps to improve efficiency for the mine because they will be able to review their mining plans quicker and reach target that's another way for us to improve procurement efficiency. Supplier space we deal with if we can rationalize the supplier we work with key and strategic suppliers that's another way to improve procurement efficiency.

R.09: What do you understand by organizational performance management?

P.09: Performance management is very important and that should be driven by the contract management and key performance indicators and that should happen via quarterly meetings for non-routine services where there are services that are been performed by mine capital project I believe a few new things can be done and procurement and business play a role in ensuring that the supplier meets their performance deadline. It is actually business and procurement's responsibility to ensure that the supply is delivered. Performance management in terms of KPI of procurement to the mining, input from business and how they order, and their

ordering patterns affects how efficient procurement department is. Performance management from procurement point of view comes in that we must have KPI's, clearly measurable KPI's which we can present to business and then business on a month to month basis should have monthly management meetings with the various excom where they can track our KPI's.

R.10: How can the company attain procurement efficiency? Has it been attained by the company?

P.10: We have embarked on procurement transformation in order to derive value of all the R500m, we follow an approach of firstly in order for our procurement function to create efficiency we need visibility of the data we working with. We currently have a materials management module in SAP however it is not showing us our key performance indicators and if I can share with you for commodity the KPI are, most of are items should be on contract, so we monitor contracts versus non-contract. We monitored in commodities it is better if all your stock is coded we just ordered just in time we have coded all the generics by looking at the repetitive items etc coded them and put them on stock that improves efficiency to business. We have put a lot of governance and compliance so that if things are on contract our business cannot go off contract to do it because obviously, we have strategic relationships in place and we are managing those. From a services and commodities point of view we have rebased all our contracts to the market we have looked at key mining activities we have restructured the contract, we are managing price increases to ensure that they do not go beyond levels that we believe are not aligned to the market. In our vendor management space, we are dealing with less vendors we are still taking into account the BEE and that is also creating efficiency in my space because my guys can deal less vendors and that will be quicker to do. We are getting there, we are dealing with lean and mean structure due to a VSP process and we are still trying to put things on contract to create efficiency for business.

R.11: How does the company manage its performance?

P.11: The company ensures that their production targets are met, because the production targets are given to markets as guidelines as we are a listed company, there is awareness that we have to meet the budget and the general manager is empowered in their own spaces to ensure that they are meeting budget and they work with the individual teams to track their performances against budget.

R.12: What is the role of procurement efficiency in performance management process of a mining company?

P.12: It actually helps speed up projects, it actually decreases input cost to the mine, therefore making their project and their business more profitable.

R.13: Is performance management affected in any way by procurement efficiency? Explain?

P.13: It depends, if items are off contract and not on contract it does take procurement some time to respond to it because remember the procurement responsibility has changed. The procurement responsibility is to ensure fair value, especially with the set of procurement in South Africa and I think the State Capture and the Zondi Commission has brought about a lot of lack of governance and compliance in procurement so as a result I would say it depends if its off-contract it creates more due diligence that needs to be done from a procurement function and therefore it could take us longer time to serve business which creates inefficiency.

R.14: What can be done to alter the relationship between procurement efficiency and performance management for the better?

P.14: For me it's open discussion and communication and we must have clear KPI's and SLA, I think if the procurement function can agree SLA with business and on a monthly basis track against the SLA's and the key performance indicators that's how we can bridge this gap.

This is the end of the transcript for participant 4

Participant 5

R.01: What is your gender?

P.01: Female

R.02: What is your seniority level?

P.02: Middle level

R.03: How long have you been employed by the mining company?

P.03: 5 years

R.04: In which department, do you work from?

P.04: Procurement

R.05: How are you involved with procurement?

P.05: Ensure that the commodities are purchased at the right price.

R.06: How are you involved with performance management of the mine?

P.06: I assist the mine by ensuring that the required material is received on time so that production can be achieved.

R.07: What is your highest level of education?

P.07: Degree

R.08: What do you understand by procurement efficiency?

P.08: Procurement is procuring of goods and services and the efficiency thereof is to rely on a number of things fully understand the scope of what is required, ensure that you have some technical background, technical support but to understand what you are procuring, required level of procurement to test the market to understand the contractors so that you can obtain the right thing at the right price for the right place and the right job.

R.09: What do you understand by organizational performance management?

P.09: My understanding of performance management is the measuring of performance indicators, understand what your targets are, understand what is required performance management is to be able to measure that so you can have people that are accountable for their task and their own performance.

R.10: How can the company attain procurement efficiency? Has it been attained by the company?

P.10: Ensure that you initially set your policies and procedures so that you can define what is each role, how people are supposed to do their jobs their function. Keep

people accountable follow policies and procedures right people at right function talent.

R.11: How does the company manage its performance?

P.11: Yes to a certain degree, a good system a we are quite transparent, in the beginning of the year you are given your KPI, it needs to be clearly defined if it is not clearly defined that we cannot measure performance. It's a good management ensure that targets are we have a quite good management system.

R.12: What is the role of procurement efficiency in performance management process of a mining company?

P.12: Role of procurement efficiency in performance management process our formal business is gold mining, without having procurement efficiency the mine will not be able to meet their core goal value being the best mining in the world, procurement and supply chain is a support structure in reaching the performance goal.

R.13: Is performance management affected in any way by procurement efficiency? Explain?

P.13: Absolutely – it is support structure and service to the mine as a whole if we are not positioned in a way to be able to provide that service, to be able to have that service we would most definitely influence the performance of the company as a whole, I think it would be in terms of typical raw material not be able to secure mine by obtaining everything at fair value, ensuring that we are saving, service at right price we can definitely influence the performance of the company.

R.14: What can be done to alter the relationship between procurement efficiency and performance management for the better?

P.14: I think the first is communication is key if you don't have relationship management basic. I you don't understand and not common how do I press the button with this understanding each other's hole what is required from each other.

This is the end of the transcript for participant 5

Participant 6

R.01: What is your gender?

P.01: Male

R.02: What is your seniority level?

P.02: Senior level

R.03: How long have you been employed by the mining company?

P.03: 6 years

R.04: In which department, do you work from?

P.04: Commercial

R.05: How are you involved with procurement?

P.05: Directly. Managing all commercial transactions (Contracts) related to technology

R.06: How are you involved with performance management of the mine?

P.06: Indirectly. Only by ensuring timely delivery of requested goods and services.

R.07: What is your highest level of education?

P.07: Master's Degree

R.08: What do you understand by procurement efficiency?

P.08: It is the speed (looking at short times) at which the process performed by the procurement discipline are completed. The faster, the more efficient. However, without compromising on value, compliance, and governance.

R.09: What do you understand by organizational performance management?

P.09: It is the way in which a discipline handles and ensures performance (service delivery) is kept at the agreed levels (SLAs).

R.10: How can the company attain procurement efficiency? Has it been attained by the company?

P.10: By constantly monitoring commercial transactions ensuring SLAs are kept at the agreed levels, linking departmental employees KPIs to such desired delivery levels, engagements with stakeholders in order to manage expectations, and align business strategy on purchasing with procurement planning. With a high focus on delivering value based on cost reduction, increase controls, and ensure governance is followed, efficiencies have been neglected. Nevertheless, procurement is embarking on improving efficiency.

R.11: How does the company manage its performance?

- P.11: Measuring and maintaining Production levels, cost per ounce, Safety levels, financial flexibility, quality of its portfolio. In line to the 5 strategic pillars of the organisation.
- R.12: What is the role of procurement efficiency in performance management process of a mining company?
- P.12: Ensuring that time however performance within the procurement discipline is managed by based on 4 main themes: Value realization, compliance, governance, and service delivery to business.
- R.13: Is performance management affected in any way by procurement efficiency? Explain?
- P.13: Yes. No timely delivery of raw materials, bad quality of goods, lacking on service delivery, inflexible agreements, and the like, will negatively affect the performance.
- R.14: What can be done to alter the relationship between procurement efficiency and performance management for the better?
- P.14: Introduce real and reasonable links into the Procurement KPIs that talks to the Performance management of the company, so that to ensure delivery times, planned stock, services, and any related procurement activity that directly impacts the company (operational) performance are in sync with those of production.

This is the end of the transcript for participant 6.

7.3 CONSENT FORMS

Informed Consent Statement

MBA STUDY: The Influence of Procurement Efficiencies on the Performance of a Mining Company

NORTH-WEST UNIVERSITY

Researcher: Mmatlalane Maphisa

Tel: +27 76 179 4930

Email: maphisan4@gmail.com

Dear organisation,

This **Informed Consent Form** will provide a full disclosure on the purpose of the study, the confidentiality clause and statement of consent for participants within the organisation:

1. The main purpose of the study is to establish what the influence procurement efficiencies is, on a performance of mining company.
2. A qualitative research will be conducted whereby an interview guide will be used as research instrument which will also allow the selected personnel to refer other prospective interviewees.
3. Respondent participation is voluntary and subject to their acceptance of the consent statement. Confidentiality, anonymity and privacy of respondents and company are guaranteed as responses will return to the researcher and the dissertation will name the organisation only as being a mining company.
4. The study proposal and the questionnaires to respondents will be approved by the university and the organisation before commencement of data collection process.

Sourcing and timing of relevant data will be guided by and/or agreed to with the company representative.

5. Research outcomes will be approved by the company representative in line with the company rules and regulations before publishing. The company reserves the right (on good grounds) to suspend its participation on the study. The mini-dissertation report will be provided to the organisation and to the respondents upon request.

The following signatories below, hereby declare that the information provided in this Informed Consent Form are understood and accepted and that the data and information of the company relating to this study, will be guided by the below company representative and that data from obtained may be used to meet the study objectives only:

Name and designation	Signature	Date
Mmatlalane (Nana) Maphisa – Researcher		
Mr Johan Jordaan – Study Leader		
Company representative		

Ethics informed consent form

**MBA-STUDY THE INFLUENCE OF PROCUREMENT EFFICIENCIES ON A
PERFORMANCE OF A MINING COMPANY**

NORTHWEST UNIVERSITY

RESEARCHER: MM MAPHISA

CELL:0761794930

Email: maphisan4@gmail.com

Dear Interviewee

This **Informed Consent Statement** serves to confirm the following information as it relates to the MBA mini-dissertation on The Influence of Procurement Efficiencies on the Performance of a Mining Company.

1. The sole purpose of this study is to obtain information from experts (such as yourself) in an attempt to determine the nature of your everyday experience related to the research topic.
2. The procedure to be followed is a qualitative research design, a semi-structured interview will be employed for the purpose of this research to give the research a flexibility to probe on answers while following a structure which includes structured, controlled and prescriptive questions but also open-ended questions where you will have the opportunity to communicate your views on the relevant topic during a

face-to-face in-depth interview. Basic background information related will be asked e.g. your name, academic qualifications and related experience to the topic.

3. If at any point during the interview you should feel uncomfortable, you will be provided with the opportunity to make your discomfort known or immediately have the option to end your participation.
4. This interview takes place on a voluntary basis.
5. I agree to my interview being audio-recorded.
6. The confidentiality of the interview data is guaranteed. Fictitious names will be utilised when quoting statements in the dissertation.
7. Any confidential information that prohibits the researcher to publish it in the final dissertation should be communicated during the interview.
8. A list of questions to be asked in the interview will be made available to the interviewee prior to the interview. This is done to ensure a mutual understanding of what will be asked to avoid confusion during the interview.
9. A summarised copy of the final dissertation will be made available to the interviewee upon request.
10. The data gathered from the interview will only be used for research purposes.

I, _____ (name and surname), hereby declare that I have read and understand the contents of the Informed Consent Statement, and give my full consent to MM Maphisa to progress with the interview on _____ (date) and use the information communicated by myself to her in her MBA dissertation.

<u>Name and designation</u>	<u>Signature</u>	<u>Date</u>
Interviewee		