

# Non compliance in procurement business essay

[Business](#)



M. Sc. This dissertation is submitted in part fulfillment of the Msc. in Procurement. I declare that this dissertation is the result of my own independent investigation and that all sources are duly acknowledged in the bibliography.

## **Non-Compliance in Procurement**

### **Abstract**

Noncompliance in procurement is a vice by which employees fail to adhere to the rules which have been set aside to govern the process of procurement. This vice is influenced by more than just tangible factors. Noncompliance in procurement however, has significant effects in an organization if the organization does not have appropriate repercussions/systems in place to curb the vice. This paper focuses on economic and psychological factors that influence employees towards noncompliance to procurement policies. The two factors were put into greater perspective and their effects on employees determined. In an attempt to review this, the paper included data collected from employees and organizations with regard to the two factors. The data will be analyzed and classified depending on the specific factor in question. The paper further sought to provide recommendations that organizations may use in curbing procurement fraud and minimizing the incidence of non-compliance by employees in their organization. The researcher used quasi-experimental design, with purposive sampling being used to obtain the sample. The study identifies that economical and psychological factors influence the occurrence of noncompliance in organizations and recommends that, more research

needs to be conducted on noncompliance behavior especially in the private organizations.

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## Non-Compliance in Procurement

### Introduction

Shaw (2010) argues that the procurement process tends to be the most vulnerable in an organization. Given the fact that the process is usually highly exposed to uncertainties, most companies have put in place rules and regulations governing the procurement process, and have made it a priority due to the sensitivity procurement activities have in an organization. As discussed by Lewis & Roehrich (2009), a breach on the procurement process of an organization can be done with such ease. So much so, that calculated and strategic systems should be in place to allow the procurement hierarchy the ability to review the incidence of non-compliance and implement effect strategies to minimize these breaches. Shaw (2010) further argues that, a breach of the process of procurement can be fatal enough to cause the death of an organization. In light of this, the modern corporate environment in reviewing the role played by procurement, have sought to pay more attention and have raised the sensitivity of the process of procurement. Highlighted by academics namely Van Weele from as early as 1983, the purchasing function has received " limited attention," both in business

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practices and the undertaking of academic research. For Van Weele, in the review of literature, purchasing has often been "designated as a back-end activity which receives inputs from internal requisitioners belonging to earlier stages of the materials cycle." The purchasing profession's inability to thoroughly re-invent itself, lack of purchasing professionalism (De Boer and Telgen 1998) and thus its privation of a systematic approach, has aided the purchasing profession in the classification of its position as "an isolated function in the organisation," to the point where, the sense of passivity displayed by purchasing professionals is due to the fact that "they have not controlled many of the strategic decisions," (Van Weele 1983) or have been coerced into believing that they cannot make strategic decisions on behalf of stakeholders. In order for the function to continuously aid in the strategic development of a first class procurement and supply chain environment enshrined with an appreciation for innovation, the maintenance of best in class technologies and strategies for the continuous development of highly skilled professionals, key issues which deter this achievement need to be addressed. For procurement, a function newly identified as being a strategic part of organizational undertakings (Spekman et al. 1994, Versendaal & Batenburg 2008, Alonso & Levine 2008, Butter & Linse 2008, Quesada et. al 2010), non-compliance to policies and procedures is an issue which tends to continue to plague the construct of the field and is thus seen as a "hindrance to effectiveness" (Gelderman et a. 2006 pg. 704). In this light, end users tend to denounce the measures set forth by procurement departments' world-wide, thus leading to the incidence of non-compliance and its possible identification as a contributor to the deterrence of procurement achievements. Lewis and Roehrich (2009) raise the point that <https://assignbuster.com/non-compliance-in-procurement-business-essay/>

having transparent processes in the corporate world has been significant in overall corporate growth. So much so that the growth in the sensitivity of the procurement process has been key in the growth of many enterprises and corporate cultures. This has caused many organizations to come up with policies and regulations to whip their processes into shape. Centralized procurement has been implemented, where single departments have been created to handle the process of procurement with some organizations going as far as having the entire procurement operation outsourced to third parties. This development shows how much significance the process has in terms of creating a healthy organization. The procurement process is mainly an involvement of the acquisition and sale of goods and services. This takes up about twenty percent(20%) of the whole operations in an organization (Benslimane, Plaisent & Bernard, 2005). The art of acquisition of goods and services, requires a skillful and well qualified staff. The procurement staff in any organization is responsible for ensuring the process is conducted transparently. However, this same team is usually responsible for most of the illegalities involved in the procurement process. According to Caldwell, Roehrich & Davies (2009) the procurement process is usually on the hands of the procurement staff, with this staff being responsible for the success and sometimes failure of the process. As it is human nature, the power of greed , self satisfaction and egoism are usually inevitable in such cases. In an argument by Shaw (2010) the nature of humans has been influential in many organizations in terms of greed and self satisfaction. This is a normal trait that differs among different employees. It is difficult to control human nature by counseling and sensitizing an issue, and it is for this reason policy and laws are created, usually with some sort of repercussion for breaches. For <https://assignbuster.com/non-compliance-in-procurement-business-essay/>

instance, there is the creation of the policies that govern the procurement process. In accordance to company laws and policies, the procurement policies are created to govern the conduct of employees as they spend the organization's funds. The procurement process is very significant to an extent that state governments have developed public procurement policies that aid with controlling the procurement process in a country. The significance of this national law is sensitized by the fact that offenders face prosecution for abuse of office. This is one of the best policies that have ensured that the procurement process remains free and fair. Shaw (2010) provides an example of an employee of Levi Strauss & Co. who was quite unfortunate as it related to his financial situation. As a result, he was unable to maintain a household, inclusive of children who had attained the age of going to school. Leading his life as a miser, he denied himself and his family the leisure's of life in order to cut costs. In one instance in the company he worked for, there was a plot to influence the process of procurement for personal interests. According to the employee, he knew it was wrong but his economic situation could not lead to a positive decision. At the moment the only thing he could think of was the financial and economic gain to be derived from the breach, and the assistance to be provided to his family. Shaw (2010) argues that if Tom had the psychological power to resist the temptation he would not have committed the act. From the example the power of psychological and economic influence is evident in the shaping of the human perception on the process of procurement. Compliance in the process of procurement requires a combination of economic satisfaction be it adherence to budget, or savings and financial gain or the human psychological feeling of accomplishment in being the best negotiator or <https://assignbuster.com/non-compliance-in-procurement-business-essay/>



otherwise, and general psychological strength. According to Caldwell, Roehrich & Davies (2009) human psychological influence is the most influential factor when relating to crimes. The author further argues that the easiest way to solve organizational misconduct is by changing the employee's mentality. The psychological influence of human behavior has been significant in the disregard of the procurement policy. From interviews conducted in this paper, employees reacted to temptation and psychological influence before making an informed decision to be non-compliant to procurement policies and procedures of their organization. In an article published by Benslimane, Plaisent & Bernard (2005) they argue that the invention of company policy caused a rebellious mentality among employees. From a psychological view, the relationship between company policy and employee will always be based on breach and non-commitment (Benslimane, Plaisent & Bernard, 2005). It is for this reason that employees feel indebted to breach company policy. With the inclusion of the economic needs humans have, it would be easy to analyze cases and causes of breaching of policies like procurement policies. Non-compliance in procurement however, goes deeper in an organization rather than individuals. In major cases involving non-compliance in procurement, administration and management bodies have been the major characters. According to Caldwell, Roehrich & Davies (2009), the influence of administration and management characters shape the whole perception of non-compliance in procurement. The management influence by economic and psychological factors is different from an individual point of view. The psychological influence on the management factor is based on power. Many managers have the urge to use their position and power to influence every

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activity in the organization. Thus, many managers are usually the masterminds of many cases of crime and non-adherence to policies in an organization. In undertaking the discourse, the author alludes non-compliant behaviour to be a combination of two broad categories of viz. psychological and economic underpinnings, with this type of non-compliant purchasing behaviour thus being coined as " Psychonomical Purchasing". From the psychological perspective, the research draws from the Theory of Planned Behaviour, discussing the behavioural dispositions undertaken by those who choose to be non-compliant to procurement policies and thus " the individual's intention to perform a given behaviour,"(Ajzen 1991). A brief insight into the deviant managerial behaviour model and its comparison to the clinical psychological sociopathic model is addressed along with cognitive theory and moral behaviour. This is then utilized to explore the notion of the sociopathic manager as in most instances, noncompliance gains support from the management team who transpose their perception toward policies unto their subordinates. The discourse sheds light on instances where managerial behaviour can be likened to sociopathic symptoms. Essentially, we seek to understand the motivational factors that form the beliefs of employees as it relates to being compliant and thus adhering to policies and procedures. As a result, organizations can use the information derived to reinforce and in some instances, introduce the types of behaviour that suit the organizational objectives. It is important to note however, that some theories are merely identified in a broad sense and may not have been hypothesized to determine which belief is more significant or relevant than the other.

## Literature review

Fishbein and Ajzen's 1975 and Ajzen's 1991 theory of planned behavior and rational choice theory (von Neumann and Morgenstern 1944) were developed in an attempt to predict human behavior. The theory of planned behavior suggests that intentions to undertake different types of behaviours can be highly and accurately predicted from attitudes toward the behaviour and perceived behavioural control. Based on this, it can be argued that an employee's perception about how rational it is to be compliant or not, are based on the employees's attitude toward compliant behaviour. On the economic construct, rational choice theory is a paradigm which is used to explain individual, social and economic behaviours in various contexts. The theory suggests that individuals usually determine how he should act by first giving consideration to the costs and benefits of certain actions. Becker 1973, highlights that as it relates to the theory of crime and punishment, most criminals maximize the expected benefits from fraudulent activity in excess of the expected cost of punishment. The economic benefit ergo cost/benefit analysis, can therefore be applied to individuals who choose to violate the procurement policies and policies without malicious intent. Take for example an instance where , an end user may require some sort of service from a supplier for which the outcome affects his objectives and thus his performance review. Employees, knowing the impact to their bonus and salary, may choose to breach a part of a process in order to satisfy his outcome. In this sense, as Becker highlights, he undertakes the activity in excess of what he perceives the cost of punishment to be from the breach of the procurement policy. Similar to the actions of ancient tribes when deprived of resources and the changes undertaken to allow for self-

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preservation, deviant managerial behaviour theorizes that managers who identify a " real or perceived resource deprivation," tend to focus on short term goals without regard to resulting moral considerations(Carroll 1987), thus adding to the rationale behind noncompliance and the stakeholders' desires to achieve that which is required at the immediate time, ergo short term goals. Economically, recipients of the service provided by the function are often of the belief that they are better able to negotiate terms and conditions for services especially since in most instances they are the budget holders, whilst the other aspect of the economic position relates to financial gains. Many scholars have come up with literatures which tend to explain the factors influencing non-compliance in procurement. As alluded to by Caldwell, Roehrich & Davies (2009), non-compliance in procurement is a behavior character that is bred in an organization. The author explains a scenario whereby an organization lost \$ 1million which was due to non-compliance in procurement. This particular organization is a construction company which indulges mainly in the purchase and supply of constructions infrastructure. Prior to the loss, the organization did not have a procurement department, with the top administration in the company handling the procurement related processes. Individuals were selected to handle the procurement process. Depending on the job description the company used any available human resource to foresee the process. This scenario gave all employees the autonomy to be able to handle any procurement procedure in the organization. Prior to the theft of \$1 million, the company had quoted the purchase of construction materials worth \$ 3 million which they would have sought from various suppliers. This particular process was handled by the top management team which evaluated tenders, interviewed the suppliers, <https://assignbuster.com/non-compliance-in-procurement-business-essay/>

received samples of the required goods, prepared quotations and selected suppliers that had emerged victors in the evaluation process. The supplier who won the tender for the supply and delivery of construction materials was a new entrant to the market. The supplier had no record of excellence in the supply of the same products. The goods supplied were incomplete from the set of the goods quoted and the goods were of poor quality. The situation was made worse by the fact that the top management team was responsible for the mistake. This made it difficult for the process to be vetted. In highlighting this case Lewis & Roehrich, (2009) argue that this particular process was a product of poor management of the firm. The author further argues that this case scenario is evidence of how responsible an administration is in ensuring the procurement process is given the importance it requires to allow for the policies and procedures to be adhered to. Similarly, it shows why some procurement processes take longer than usual and therefore should be handled by a separate department. A lot of detail should be put into tender execution and evaluation to minimize on incidents as indicated above. Non compliance in this case was not directly connected with the psychological or economic influence. The case brings to a rise the issue of the human nature act of negligence on rules and policies. Kulp et. al (2006) argues that regardless of the other factors developing psychological and economic influence, human tend to neglect the rule of law as provided for in any official setting. For instance, in the company evaluated above, it was the duty of the management team to ensure that the organization has a functioning procurement department. However, they overlooked this requirement which gave every employee in the organization free will to undertake any procurement activity. Karjalainen et al (2009)

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categorizes negligence as a psychological factor. In his claims, there is a great connection between having rules to abide by and having requirements that are obvious. Neglecting rules can be viewed as a normal human characteristic but neglecting an obvious requirement is a psychological effect (Karjalainen et al 2009). However, neglect can also be connected to economical influence. A manager may have a specific aim for not putting in place a functioning procurement department. This aim may be driven by their need to swindle funds from their organization. This aim may also be driven by their economical needs they have which makes negligence an influence of economic factors. A board meeting held on 23 Oct 1986 saw the whole management team of the firm disbanded (Lewis & Roehrich, 2009). The vice president of the company was sued for incompetency and corruption, a case that was never heard in a court of law. These developments forced the board members of the company to completely change the structure of the whole company. Each operation was provided with its own department. Each department was mandated to independently carry out its own activities. The firm also incorporated an auditing team in its structure from which all operations in the company were vetted before being agreed upon. Each procurement process was provided with guidelines that they were required to follow before any payment was made suppliers. The author of this case study points out that it is was the most important decision the company had made because the procurement department provided the most successful procurement processes the firm had had for the last 20 years. A topic often highlighted in organizations in which there is a procurement department, non-compliance or non-adherence to a company's policies and procedures continues to rear its head, much to the bane of <https://assignbuster.com/non-compliance-in-procurement-business-essay/>

procurement departments, and the stakeholders served. Aptly defined by Karjalainen et al 2009 (p. 248) as " the off-contract buying of goods and services for which an established procurement process is in place, based on pre-negotiated contracts with selected suppliers," this phenomenon is symptomatic of different segments of the organization. Formally, the concept of non-compliance refers to the behaviour of a regulated actor in comparison to a " formal corresponding legal obligation," (Geldarman et al. 2006, pg703). Call it unconventional or non - conformist buying for purchases outside of contractual arrangements with suppliers, or without a purchase order, the root cause of this psychological barrier has eluded many procurement teams world-wide trying to combat this ' epidemic.' As heightened an issue that this may be, it has been noted however that not much literature or research has been put forward on this topic of noncompliant purchasing, a concern also raised by Kulp et al 2006 as they too believe that in order to drive contract compliance there must be an understanding of where the issues lie. From the senior manager who thinks he can save the organization time and money by booking his own tickets online with a company credit-card; the engineers who trek to hardware's to make individual purchases as opposed to buying through the company approved supplier; contractors who appear on-site to perform services to the organization, without being evaluated and marketers who just want to get their promotions done, non-compliance continues to exist causing discontent and outrage in the overall procurement profession. Coined by the author as the Psychonomical Purchasing concept, where the core reasons for this mania can be attributed to both psychological and economical perceptions imprinted in the minds of stakeholders, this research seeks to explore these

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two areas as contributors to noncompliant behaviour by man. From the psychological standpoint, specific reasons for committing this transgression can delve into ideologies related to buying under the assumption that enhanced terms and conditions can be negotiated; stakeholders with preferences for specific suppliers, end-users who have worked with organizations in the past for which decentralized purchasing was the norm and sometimes plain and simple unawareness of the 'chosen' suppliers with whom the organization does business (Karjalainen and Raaij 2009, Gabel et al 2008) Henle(2005) raises the point that workers may tend to have a particular disposition toward particular policies and procedures as a result of organizational culture and influence. This would mean for example that if procurement was never recognized by top management as a strategic business partner, then at the operational level, the same deviant work behaviours will resonate. Vardi 2001 alludes to a similar ideology, believing that organizational norms and culture, even as much as the systems of control and reward all attribute to the behaviours of employees in organizations. Economically, some users genuinely believe that they are better experienced and in a more suitable position to negotiate terms and conditions as they are the true budget holders and thus look toward achieving their own targets. There is often the failure to realize however, that though able to negotiate or find a price lower than that of the contracted party, there are other factors which need to be considered. The opportunity costs associated with their ventures range from the transactional and total cost of ownership involved when they undertake the role of procurement professionals, the foregone consumption of hours on their core duties, discounts lost on other agreements and broken supplier relationships

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which then have to be mended, not to mention the risks that they may expose the business to. In understanding Psychonomical Purchasing in the first instance, a brief discourse with end-users has highlighted areas such as misunderstanding or miscommunication of the procurement policy, insufficient or vague communication with stakeholders on an ongoing basis with process changes and requirements, or simply too many processes to make one purchase; on occasion, a simple purchase which leads to an unnecessary elongation of the procure to pay process. As a consequence, end-users become quite overwhelmed and make decisions which either totally ignore the relevant procedures or tend to twist them to suit their needs. As procurement professionals, no secrets exist as it relates to the plethora of long-term repercussions associated with this stance. There are the unrealized cost savings, the undermining of negotiations and therefore a loss of trust by suppliers to future proposals made, along with a loss of visibility on expenditure which may allow for uninformed decisions by procurement professionals whilst implementing procurement plans in the financial year to come. There is however, failure to realize the transactional costs involved in carrying out these activities. Theoretical statements underpin the fact that " transaction costs arise most fundamentally because of the limits of human cognition." Regardless of the " intentions that economic actors may have to act rationally and far-sighted," the constraints of rationality displayed by individuals is often as a result of limitations on " gathering, processing and communication of information," or human cognition (Macher and Richman 2008 pg. 3). With the increasing importance of procurement to organizations and the benefits that arise from effectively utilizing the service provided by the department, it is necessary to

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understand why users choose not to follow set policies and procedures, if we are interested in possible corrective measures. In an article by Caldwell, Roehrich & Davies (2009) the relationship between the procurement function and an organization should be based on structured operations. This means that there should be a well implemented structure that dictates the human activity undertaken with regard to procurement. The author further argues that this makes employees more inclined to be reliable to the whole process. The influence of personal interest and the psychology to commit fraud is greater than the control a person can provide for themselves. Caldwell, Roehrich & Davies (2009) argue that this notion is created by the fact that every person has that desire to achieve. Humans tend to employ all methods possible to acquire success. In procurement the way to success through fraud provides an easy way for a person to obtain financial rewards. To support his claims the author presented a survey that was done in 5 warehouses. In all the warehouses there was a case of non-compliance in the procurement process. In all the cases employees external to the procurement department were involved in the fraud. From interviews with the involved employees, all complained of poor pay and bad working conditions under their management. These conditions forced them to steal from the company. From all the five cases perpetrators had no regret for their actions. Caldwell, Roehrich & Davies (2009) argue psychological and economic influence had the greatest impact in this five cases. In one separate case an employee had more than once swindled his warehouse. In the interview, he said that he could not resist the opportunities provided with the process of procurement. He argued that the more he stole the more he had the urge to do it again. In the case, the employee was not driven by <https://assignbuster.com/non-compliance-in-procurement-business-essay/>

economic factors as he was well off and he only had this particular job as a part time attachment. In this particular case the employee was only influenced by psychological factors. His lack of human cognition transcended into mentality of a desire to steal as his form of self-satisfaction, with the only way he could be stopped being termination of his working contract in the warehouse. The author of the case study also argues that the above employee required to be terminated from his working condition in order to have a clear mentality. From this example it is also an obvious assumption that the psychological construct of a person plays a significant role in determining the behavior of a person towards compliance of the procurement policies. In many literature pieces, non-adherence to procurement policies is not viewed as an individual act of non-compliance. In many writings, organizations are mostly blamed for the errors experienced in procurement. In an argument highlighted by Budd (2004) procurement policies are only adhered to if the management of an organization is willing to ensure the policies are adhered to. This means that noncompliance to procurement policies starts from tolerance from the top management. The author further argues that regardless of the factors promoting noncompliance in procurement, an organization should be in a position to guide its employees to compliance of company policies. The same sentiments are shared by Bernard (2005) who debates that, a company with strict policies is capable of withstanding any factor that seems to pressure employees towards breaking of these policies. In regards to psychological and economical factors these two factors are the easiest to influence in any organizational setting (Croom & Johnston, 2003). These two factors can be easily influenced by good management. For instance, economic factors `are <https://assignbuster.com/non-compliance-in-procurement-business-essay/>

caused by constraints. If employees are rewarded sufficiently these constraints can be easily dealt with. Kankanhalli et al. 2003, and Straub 1990, identify sanctions as a type of inhibition to reduce breaches in policies. Pahnla et al. 2007 on the other hand discuss rewards as a more suitable motivating factor which can lead to an increase in compliance by employees. However, Cuganesan & Lee (2006) disagree with the Pahnla's concept of motivating factors, disputing that human nature is greater than just a good reward system. The author further discusses that human nature influenced by psychological factors cannot be influenced by tangible incentives. For instance, if employees in an organization are provided with a noncompliant mentality it may take more than just a good reward system to reverse this trend. In this scenario, termination of working contracts acts as the best option to curb the shortcoming. On the hand however, if the recommendation is implemented then this means an organization would lose a great number of trustable employees. D' Archy & Hovac (2009) argue that the probability of an organization to acquire trustable employees to run sensitive departments like the procurement department are close to nil. Such departments need human resources who are trustable and well aware of the of the organization's culture. Analysts have argued however, that it would be much advisable and logical for an organization to train new human resources than try to change the noncompliant mentality of existing employees. Training new employees may be an expensive and costly undertaking, but if the issue of compliance to company policies is in question an organization has to consider the option. In curbing economic influence to non compliance, an organization should be able to implement a reward system that employees feel obliged to appreciate. Once an employee is

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satisfied with the reward incentive they get, they tend to be more obedient in an organization setting (Doconinck, 2003). The same reactions are reiterated by D' Archy & Hovac (2009) who maintain that the quality of a reward system greatly influences the depth at which an employee is obliged to be obedient in an organization setting. The authors further argue that employees in a department involving signing of contracts like procurement and marketing, should be offered extra incentives for example in meeting savings or other departmental targets. The extra incentives are aimed at improving the performance of employees and minimizing the threat of fraud. It is an obvious assumption that human nature is easily influenced by extra incentives. Budd (2004) contends however that this may create a mentality that may be hard to eradicate in the future. The employee mentality should be created in a way that an employee feels obligated to perform in an organization at free will. With an already instilled free will it becomes easier to create a reward system that the whole organization will be pleased with. In relating this argument to the procurement policies it is also an obvious assumption that employees in procurement need more than just job specifications and assumptions. In an argument by Hui et al (2011) in procurement this argument becomes more applicable and urgent to implement since employees in this department are the most likely to be influenced by the need to indulge in non compliant behaviour, be it directly with suppliers, or allowing other stakeholders to break the rules as they seek they meet their objectives, whether it be departmental gain or personal financial or psychological(ego) benefit. Pasa (2000) argues that in procurement the issues of allegiance and adherence to policies in an organization are of more urgency since the process involves a lot of

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company resources and funds. In many organizations this is usually considered during recruiting, training and rewarding employees in this department.

## **Summary conclusion and areas of future research**

### **Conclusions**

Many organizations face numerous challenges in streamlining their practices from ethical issues. With the rising need for success and development of social trends, the rate at which ethics are breached has risen significantly. Ethical dilemmas refer to actions and traits that are against the society norms and morals. In organization fronts, ethical dilemma refers to action that puts the general rules and guidelines of an organization in jeopardy. To curb occurrences of ethical dilemmas many organizations have equipped their human resource with required resources to shun this habit. In some organizations, joint partnerships have been formed to curb this evil. In an argument by LaPorta, Lopez-de-Silanes & Shleifer (2004) with the level of ethical dilemmas rising, many organizations have opted to outsource services from security companies. In the paper there is a general thought and notion that compliance to procurement policies greatly depends on the level at which an organization shapes the mentality of its employees. However, many analysts argue that the relationship between employee and the management in their organization cannot be shaped by the policies in the organization (Ware, Moss & Campos (2007). The author further argues that the reaction of an employee to company policies on their ability to adhere to ethics. Human nature is greatly influenced by factors that alter their normal psychological thoughts for instance, economic constraints. In <https://assignbuster.com/non-compliance-in-procurement-business-essay/>

regards to procurement, economic and psychological factors shape each and every perception of an employee towards the activities in the department. This entails realization of the consequences of breaking company policy not just on oneself but also to the organization. This realization is shaped by a positive employee mentality (U4, 2009). From this argument one may deduce that noncompliance to procurement policies due to economic and psychological factors is a creation of the human mind and nature. In separating the two factors economic from psychological factors, each factor ignites a different approach to the root causes of noncompliance to procurement policies. From the results and findings economic factors are mostly brought about by the reaction of employees to the rewards system in their organization. In an argument by Albert (2004). a reward system can shape the mentality on an employee towards respecting company policy. This is a resultant from the fact that financial constraints shape the need at which a person feels obligated to do anything to gain an upper hand is getting finance. In the results recorded, financially unstable employees have a high probability of committing fraud than employees with stable financial conditions. This assumption was proven by a case study highlighted by Ramsey & Telford (2007) which gave examples of two employees who belonged to different financial classes. Employee X had a good and stable financial condition. This particular employee was in organization in which they were paid handsomely for their participation in procurement activities. For this particular employee they had no greed towards achieving personal interests. In the interview the employee said he had never had the intention to commit fraud in his organization. Employee ' Y' on the other hand, does not have a stable financial situation. The employee admitted to have been

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involved in influencing the procurement process. In the interview he argued that his financial constraints had the greatest influence in his fraud activities. Additionally, this particular employee had the influence of his unethical behavior since his organization was prone to such cases. In his organization each financial year the organization records at least five cases of non compliance of company policies. This behavior has made many employees feel obligated to commit fraud in the organization. In relation to economic factors, the employee had less regard in the reward system of the organization. Just like many employees in the organization he always felt that what he received as reward was less than the input he gave to his organization. From the above case, one can clearly say that economic factors in noncompliance revolve around proper incentives and organizational culture. With proper incentives and a well behaved cultural environment in an organization, noncompliance to policies can be easily eradicated. These sentiments have been shared by OECD (2007) who also argues that employees should be rewarded in regards to their input in the organization if they have to be respectful to company policy. In regards to psychological factors employees tend to have specific wants and needs they could wish for under their job specifications. Under these wishes some are influenced by personal wants and interests. For instance, an employee may wish to have the position of the manager in the procurement department. Under this position the employee may have in mind the wish to have the distinction of running such a prestigious department. Another may have the wish of having the position since it is what they yearn to achieve in their professional career. On the other hand, one may need the position to influence the procurement process for personal interests. If this happens an organization

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may require means to notice this mentality and acquire a new staff for the position. Additionally, the employee may take a significant amount of time to ensure they get this position after which they may exploit their rank in the organization. The above scenarios are all based on the psychological influences an employee may have towards company policies. In the entire paper there is also a general assumption that the nature of procurement policies involves the inclusion of other bodies to perform duties of punishing offenders. However, organizations tend to have little or no faith in fully committing to the recommendations of these bodies. Many organizations feel that they have the capacity to handle offenders in their organization. Leonard (2012) argues that this promotes the culture of noncompliance in organizations since unethical factors easily influence decision making in organizations.

## **Recommendations**

In procurement this is not different since so much is at stake and every staff in this department seeks to have control of this department. In creation such a leadership assumption, some employees may feel obligated to undertake the procurement processes by themselves. This may be to create a leadership assumption of themselves or create an opportunity of them to influence the whole process. Regardless of the case it is an obvious assumption that the whole process requires total allegiance of the human nature for total compliance. Economic and psychological factors have great influence on the way which employees handle organization policies. Just like any other influencing factor these two factors can be easily influenced by proper and appropriate strategies. This strategy may be significant in

economic factors but psychological factors create another dimension of ethical issues. It is an obvious fact that in procurement noncompliance is greatly influenced by these two factors.

## **Areas of Future Research**

In carrying out this research, there were some areas for which it is felt that greater analysis would aid in developing the research in this area. The theory of deviant managerial behavior seems to play a phenomenal role in the incidence of noncompliance in organizations. More research and analysis in this area would definitely be one for future research on this topic of psychonomical purchasing. In carrying out this research, not much literature was found on its impact to the hypotheses and as such, the research and survey instruments will have to be restructured to accurately capture the required results. Procurement professionals were used to a large extent to conduct the interviews and therefore feed the results analyzed above. Whilst this may have captured the requirements of the research, non procurement professionals can probably be used to a large extent to conduct future research. This allows for in depth analysis or even a change in direction of the research topic more related to how employees external to the function impact the function by engaging in non-compliant behavior. Noncompliant behavior here does not refer to the incidence of fraud or theft, but relates more to not following procedures and how psychological and economical factors influence that; for both management and non-management. The paper focuses to a large extent on the personal issues which influence noncompliant behavior in organizations. It goes without saying perhaps, that there are organizational issues which also affect noncompliance and further

research can explore this ideology and the results. Similarly, we would have discussed some variables which would have impacted procurement compliance. Other variables can be explored for impact to noncompliance, as well as other kinds of groups, precisely from the private subdivision, and in associations in other countries.

## **APPENDIX B**