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**KNUST**

**PROCUREMENT OF CONSULTANCY SERVICES IN PUBLIC FINANCIAL  
INSTITUTIONS: A CASE STUDY OF FINANCIAL INSTITUTIONS IN THE GREATER  
ACCRA REGION**

**BY**

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**B.Sc. QUANTITY SURVEYING AND CONSTRUCTION ECONOMICS (Hons)**

**A DISSERTATION PRESENTED IN PARTIAL FULFILMENT OF THE  
REQUIREMENTS FOR THE DEGREE OF MASTER OF SCIENCE IN  
PROCUREMENT MANAGEMENT**

**NOVEMBER 2014**

## CERTIFICATION

I hereby declare that this submission is my own work towards the MSc. Procurement Management and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgment has been made in the text.

# KNUST

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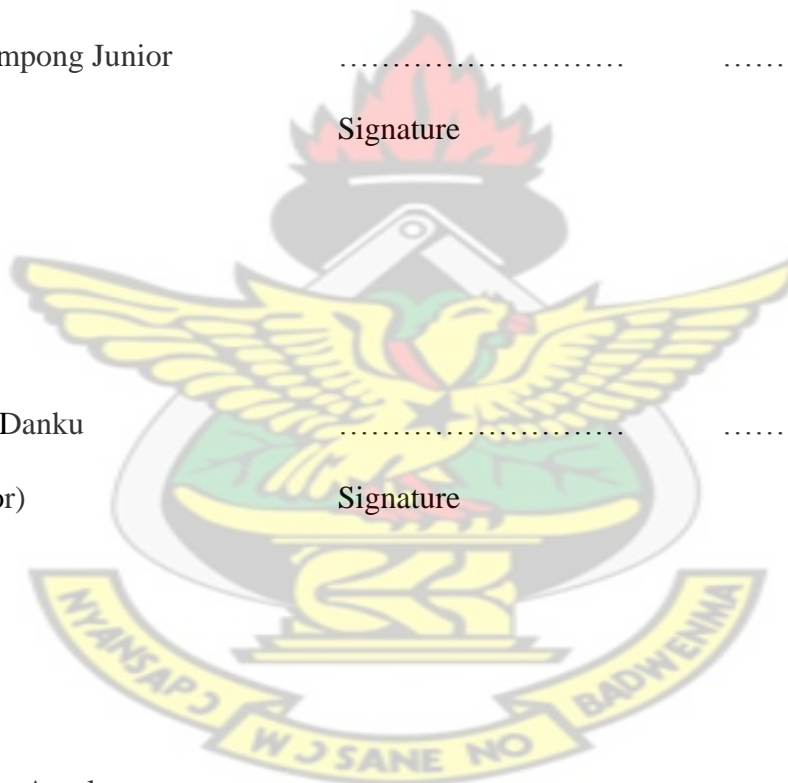
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Signature

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Date



## DEDICATION

I dedicate this work firstly to the Almighty God for the gift of life and how far he has brought me. It's also to my dear wife, Gloria Frimpong, parents and siblings.

God bless you all.

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## ABSTRACT

Procurement of services is becoming an increasingly important issue, thanks to an emerging services industry context, the deregulation of public services sectors, and a general trend of increased outsourcing in both the private and the public sector. The purchase decision for professional services is often described as complex and fraught with difficulties.

The aim of the study is to access the challenges in the procurement of consultancy services by public financial institutions. The objectives of the study among others included procedure for procuring and managing consultants and challenges of public financial institutions in the procurement of consultancy services. The main tools for the collection of data included questionnaires and interviews.

The target population for the data collection included procurement officers and professionals with a construction background. Statistical Package for Social Scientists (SPSS V 20) using Mean Score Ranking was employed to analyze data obtained. The study revealed that selection and follow-up phase of procurement of consultancy service was widely practiced in the public sector.

Thus, the survey identified several areas where practice could be developed to improve the procurement of consultancy services. The study also revealed that technical aspects of design, project execution/action plan and individual experience of key project personnel were the major challenges in the procurement of consultancy services. The study suggests that a more high-level management involvement is needed, recognizing the importance of the procurement function within the public sector and the need to develop new buying skills in procurement management, specification, competitive

process, negotiation regulation and monitoring. The study provides unique insights on how consulting services are procured in the public financial institutions.

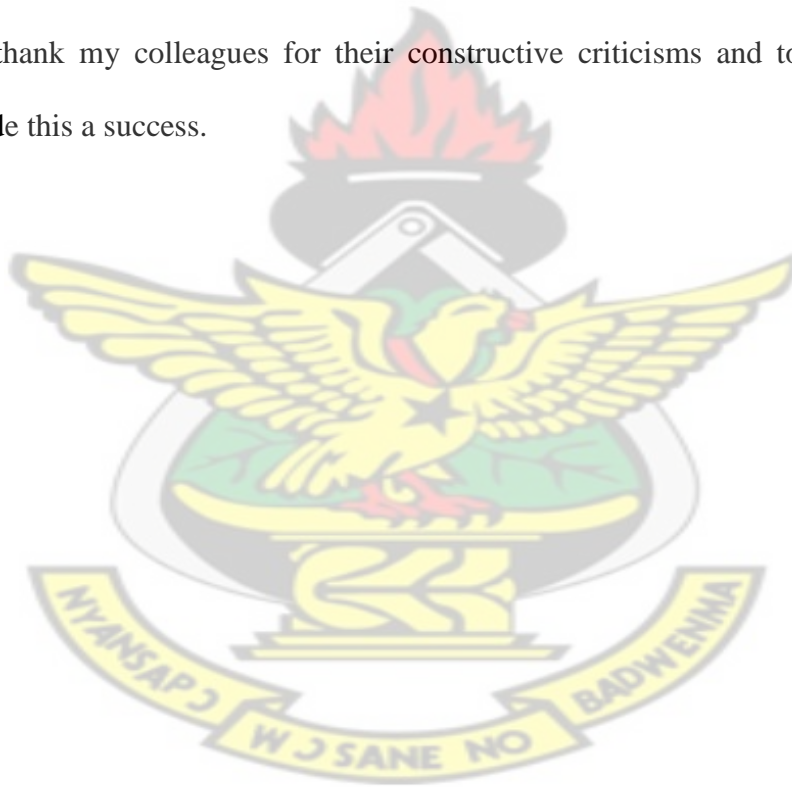
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## ACKNOWLEDGEMENTS

My first gratitude goes to the Almighty God for not only the opportunity, but also the guidance and wisdom to go through this programme. I owe a great deal of appreciation to my supervisor, Mr. James Danku, for his precious contribution and guidance. I also recognize with gratitude, the support of the rest of the staff of the Department of Building Technology, KNUST, Kumasi. I am most grateful to my parents, Mr. and Mrs. Frimpong-Nti, and my siblings, Adjoa. Kojo, Akua and Akosua, who have gone a very long way to support me in diverse ways.

Finally, I thank my colleagues for their constructive criticisms and to everyone who helped made this a success.



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# CHAPTER ONE

## INTRODUCTION

### 1.0 Background of the Study

Procurement of services is becoming an increasingly important issue, thanks to an emerging services industry context, the deregulation of public services sectors, and a general trend of increased outsourcing in both the private and the public sector (Bryntse, 1996). The service market, however, and more in particular, the consultancy field is very extensive, covering such services as advertising agencies, lawyers, accountants, architects, building and construction engineers, computer consultants and management consultants (Turner, 1982; Edvarsson, 1989; Dawes et al., 1992). This means that, to a certain extent, the public sector has to grapple with converting private sector best practices into public sector practice. This is why many in the public sector have turned to external consultants (The Economist, 1995; Corcoran and McLean, 1998).

The procurement decision for professional services is often described as complex and fraught with difficulties. Lam et al. (2004) believes that successful procurement methods can be found by looking at benchmarking projects. In that same study the authors claim that the success of a project depends on a combination of the projects characteristics, environment, work atmosphere, procedures and management strategies as well as project-related participants. According to Schiele and McCue (2006), consultancy services are provided to organizations by trained individuals who help their client with identifying, analysing and solving certain problems. In some cases, the service provider can also contribute in the execution of the proposed solution. Public clients use consulting services for different types of assignments, such as environmental assessment, engineering and architectural planning.

Consultants have been described as having a significant influence within the transformation of the public sector for the last few decades (Pollitt and Bouckaert, 2000; Lapsley and Oldfield, 2001). It is indeed true that decision-makers in many countries significantly increased their use of private sector consulting services in reforming the management structures and processes of most public institution. Therefore, the performance of technical consultants influence the quality and costs of built facilities (Sporrong, 2011). Defining and specifying the range consultants' performance is of great importance but is complicated since services include features that make it difficult to separate it from its context. Also, services often are executed by human resources, which lead to problems when it comes to defining and reviewing the performance (Roodhooft and Van den Abbeele, 2006).

Most of the existing literature on procurement of professional services by the public sector emphasizes the key role and the level of power that consultants possess (Bloomfield and Danieli, 1995; Corcoran and McLean, 1998; Saint-Martin, 1998). It is widely recognized that management consultants have been important players in the reforms in a number of countries (Pollitt, 2001). And Saint-Martin (1998) investigated how it has been possible for them to have such a major influence on public sector reform and policy in the UK and Canada. It is clear that much is still not known about the role of management consultants in the public sector. Much outsourcing of advice in the public sector may be ideologically driven. In the public sector, however, procurement regulations restrict the use of such informal selection bases, and procurement officials need to formulate their requirements in terms of objective criteria and as far as possible base their choices on evaluations of information stemming from 'official' or 'non-personal' sources and tangible evidence presented by the tendering firms Sporrong (2011).

Sporrong (2011) has carried out a research on public procurement of architectural and engineering consultants with focus on the selection criteria. She argues that it is complicated to find criteria for selecting consultant that does not refer to lowest price. Different researchers (Ang et al., 2005; Roodhooft and Van den Abbeele, 2006) support her theory and have advocated that laws and regulations restrain the public clients to only focus on the tenders with the lowest prices. Sporrong (2011) stresses in her study that the public sector has a significant focus on price and only measure the non-price criteria casually when it comes to evaluating the tenders. Notably, public sector clients are limited in their ability to consider 'personal' sources of information in their assessment of potential suppliers (Corcoran and McLean 1998; Roodhooft and Van den Abbeele 2006). As a reflection of the more formal policies adopted by public organisations, Corcoran and McLean (1998) found that public procurement procedures for management consultancy services in the UK and Australia included consideration of primarily the tender proposal, supplier interview/s and nominated references.

As already mentioned, in Ghana as in many other countries public officials are bound by legislation that dictates the methods and practices of procurement. However, whether the public sector needs outside advice or not, is not questioned in the study. Fact is that evidence suggests that the use of professional services by government has been rising steadily over recent years (Efficiency Unit, 1994). This implies that further exploration of consultancy service procurement in the public sector is needed (Bryntse, 1996).

## 1.1 Problem Statement

In Ghana, as in most other countries, public clients must follow the laws and regulations that govern public procurement. However, many clients find it difficult to procure consultancy services and at the same time obey these laws (Sporrong, 2011). Statistics show that the number of court appeals made by discontent service providers is increasing (Taro Lennerfors, 2006).

An important and difficult aspect of procuring such services is to identify and select those consultants that have the experience and expertise best suited for a specific project. In addition, the service has to be within a reasonable cost frame. It is the client's responsibility to find the right basis for evaluating tenders, which requires a reasonable balance between price and other award criteria (Day, 1998).

The use of professional services by public institution has been rising steadily over recent years. The process of procuring is restricted and competition has increased due to many laws and regulations. Bryntse (1996) stated that the procurement of services has become more important due to the regulation of public services sectors and the trend towards outsourcing technical competence.

Procurement management is one way of ensuring value for money and efficiency in the procurement of goods, works and services. This study therefore focuses on highlighting the various procedures and challenges associated with the procurement of consultancy service for works by public financial institutions. Although there are numerous studies on procurement management in Ghana, there are hardly any studies focusing on procurement of consultancy service in the banking sector, hence the need for this study.



## 1.2 Research Question

To help achieve the objectives, the following questions were asked;

- How are consulting services procured by the financial institution?
- Are the selection processes in line with the Public Procurement Act, Act 663?
- Are financial institutions satisfied with the results of consulting services?
- Are there challenges in the procurement of consultancy service?

## 1.3 Aim of the Study

The aim of the study is to assess challenges in the procurement of consultancy service by public financial institutions.

## 1.4 Objectives of the Study

To help achieve the aim, the following objectives were set;

- To identify the procedure for procuring and managing consultants by public financial institution.
- To identify challenges of public financial institutions in the procurement of consultancy services.
- To give suitable recommendations to address the challenges identified in the procurement of consultancy services.



### **1.5 Significance of the Study**

The researcher envisaged that the findings and policy recommendations generated from the study may be of invaluable input to the stakeholders of various financial institutions and also to other organizations.

Over the years, procurement of consultancy services have failed to achieve their stated objectives and reasons assign for their failure have been vague and superficial with some stakeholders attributing it to issues such as; economic conditions, lack of expertise etc. These fuzzy and incoherent excuses do not provide solutions to these inherent and recurrent problems. Thirdly, in conjunction with other studies, the study will foster creation of new knowledge and awareness in the area of procurement of consultants among public financial institution.

Understand the challenges in the procurement of consultancy service in public financial institutions will influence the selection of procurement method. Lastly, it will serve as a database and background stage for further research by students on related topic for academic purposes. The document will serve as a base for students and individuals who wish to carry out further research or acquire knowledge about the procurement of consultancy service in the private financial institutions.

### **1.6 Scope of the Study**

The study will geographically be confined to some selected public financial institutions in the Greater Accra Region of Ghana. It conceptually focuses on establishing the procedure for procuring and managing consultancy services and identifying challenges of financial institutions in the procurement of consultancy services. Data collection was limited to the procurement professional in the various public financial institution in the Greater Accra region, since majority of the institution have their head office in the said location.

### **1.7 Limitations of This Research**

The research carried out in this thesis is significant and the findings from the study are useful for public financial institutions, helping them to incorporate the best practices in the procurement of consultancy services. However, there are limitations associated with this study. These principally relate to public financial institutions in the Greater Accra Region.

The study should have covered all financial institution throughout the country but it was limited to Greater Accra Region due to allocated time period of completion and likely administrative constraints. However, the importance of the study remains, for the limitations do not detract from them, but merely provide scope for further research.

### **1.8 Research Methodology**

Research methodology is the study of research process itself – the principles, procedures and strategies for gathering information, analyzing it, and interpreting it (Gray et al., 2007). In other words methodology typically refers to the techniques that are used to conduct research.

This include data collection instrument such as questionnaire, interviews observations as well as sampling procedures and statistical techniques for organizing and interpreting unstructured data (Bryman, 2008). To this end, the discussion in this session centered on the processes before and while on the field, the methods of data collection, type of data collected and methods of data analysis. In this segment also, attempt was made to justify the adoption and use of quantitative and qualitative methodological approach and research techniques in this study, particularly in the data collection.

The research is a case study design which seeks to investigate procurement of consultancy of services in the banking sector. The target respondents for the study are the procurement professional in the banking sector. The above respondents, who were selected using purposive sampling method, constituted the target for the study because; they were directly involved in the subject under investigation and provided very useful information to achieve the objectives of the study. Primary data was used in this study. To obtain primary data, a research questionnaire were designed and administered on the respondents. The questionnaires were a mix of closed and others open ended, closed ended questions framed in a simple language so that the required responses will be elicited. The Statistical Package for the Social Sciences (S.P.S.S) version 20 will be used to analyze information from respondents.

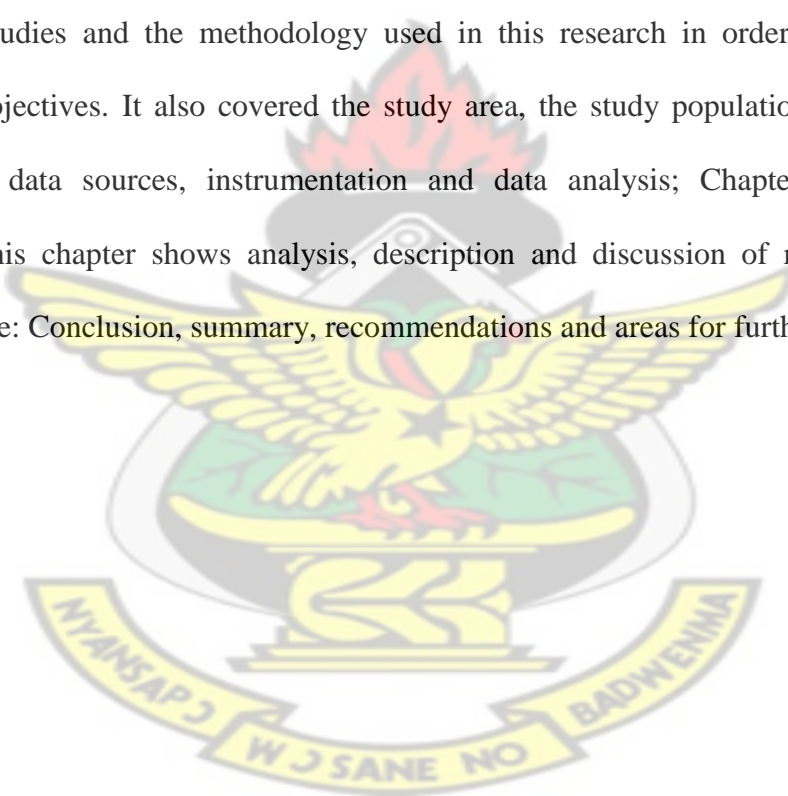
### **1.9 Research Process**

This section describes the research process from start to end. The section explains the step by step methodology that was used in order to answer the research questions. The objectives and scope involve the banking sector in the Greater Region of Ghana. The research questions were formulated based on procurement of consultancy services. Following the research question, an appropriate research design was selected. Literature review was performed in parallel with the data collection in order to develop a theoretical background connected to the research topic. Finally, the data was analyzed, discussed and conclusions and recommendations were drawn.

### **1.10 Research Outline**

This study was organized into five chapters as follows;

Chapter one: Introduction: this chapter shows the main aim and objectives of research, statement of the problem and scope of the research; Chapter two: Literature review: this chapter focus on the conceptual to theoretical aspect of “Procurement of Consultancy Services in the Banking sector, the procedure for procuring and managing consultants by banking sector and the procurement management challenges of the banking sector; Chapter three: Methodology: this chapter shows the main methodologies used in previous studies and the methodology used in this research in order to achieve the required objectives. It also covered the study area, the study population, the sampling procedure, data sources, instrumentation and data analysis; Chapter four: Results analysis: this chapter shows analysis, description and discussion of research results; Chapter five: Conclusion, summary, recommendations and areas for further studies.



## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 Introduction

This chapter reviews works done on procurement of consultancy service in public financial institutions. The public financial institutions entities are major stakeholders of public procurement. Also in this chapter, a number of relevant literatures on procedure for procuring and managing consultants and challenges of financial institutions in the procurement of consultancy service was discuss are presented in order to establish and provide answers to the research question.

#### 2.1 Public Procurement

According to Ghana Integrity Initiative (2007), Public Procurement is the acquisition of goods and services at the best possible total cost of ownership, in the right quantity and quality, at the right time, in the right place for the direct benefit or use of governments, corporations, or individuals, generally via a contract. Therefore one of the main objectives of procurement is to provide best service to users at lowest cost and protect the governments cost structure (Barly, 1994).

It should be acknowledged that public procurement has both economic and social benefits, but the social benefits of public procurement are primarily seen as indirect positive effects from economic savings and environmental improvements (Wickenberg, 2004). Moreover, it has both an important effect on the economy and a direct impact on the daily lives of people as it is a way in which public policies are implemented (Ghana Integrity Initiative, 2007). Public procurement thus means procurement by a procuring entity using public funds (World Bank, 1995a). The items involved in public



procurement range from simple goods or services such as clips or cleaning services to large commercial projects, such as the development of infrastructure, including road, power stations and airports.

The World Bank (2003) estimated the annual value of public procurement for goods, works, and consultancy services at 600 million US dollars representing about 10% of the country's GDP. Therefore, public procurement is an integral function of governments in both developed and developing countries as the gigantic financial outflows has a great impact on their economies that needs prudent management (Thai, 2001). Thus the prudent handling of public procurement functions is fundamental to achieving economic, socio-political and other objectives of government. In Ghana, public procurement accounts for 50%-70% of the national budgets (after personal emoluments), 14% of GDP and 24% of imports. Implicitly, public procurement therefore has both social and economic impact on the country (World Bank, 2003a; Adjei, 2006).

Public Procurement, according to the Public Procurement Act, 2003 (Act 663), is 'the acquisition of goods, works and services at the best possible total cost of ownership, in the right quantity and quality, at the right time, in the right place for the direct benefit or use of governments, corporations, or individuals, generally via a contract' (PPA Module, 2007). It is worth noting that unlike private procurement, public procurement is a business process within a political system and has therefore significant consideration of integrity, accountability, national interest and effectiveness (Wittig, 1998).

### 2.1.1 The Public Procurement Act

Prior to the enactment of the Public Procurement Act, 2003 (Act 663), Ghana National Procurement Agency (GNPA) and Ghana supply Company Limited (GSCL) were the main agents that procured all public goods for the government since there was no comprehensive procurement guidance (Verhage, Gronden, Awanyo, and Boateng, 2002; Anvuur and Kumaraswamy, 2006). These bodies do not regulate procurement but purchase goods and services on behalf of public entities.

The Government of Ghana launched the Public Financial Management Reform Programme (PUFMARP) in 1996 (Ministry of Finance, 2001). The aim was to improve the overall public financial management in Ghana.

PUFMARP identified the under mentioned weaknesses in the procurement system:

- No comprehensive public procurement policy;
- There was no central body with technical expertise to oversee/regulate sound procurement practice;
- Absence of clearly defined roles, responsibilities and authority for procurement entities;
- There was no comprehensive legal regime to safeguard public procurement;
- No rules and regulation to guide, direct, train and monitor public procurement;
- No independent appeals system to address complaints from tenderers;
- No authority to dispose of public assets; and
- No independent procurement auditing function.



In 1999, the government of Ghana established the public procurement Oversight group to steer the development of a comprehensive public procurement reform programme (World Bank, 2003). The Public Procurement Bill was drafted in 2002 and this was passed in Law on 31 December 2003 as the Public Procurement Act of 2003, Act 663 (Ministry of Finance, 2004).

## **2.2 The Act on Procurement of Consultancy Services**

The public sector is often criticised for its low level of performance and standardised way of working (Altamirano, 2010). Traditional procurement methods and contract forms have dominated the market in most countries for a long time. Regarding procurement of consultancy services, a major change of strategy occurred in the 1990s due to the implementation of existing laws (Bröchner et al., 2006). The laws were an attempt to create more fair conditions and increase the competition on the market. As a consequence, the public procurement process became restricted regarding aspects such as informal relationship-based selections of suppliers (Sporrong, 2011). Before the implementation of the laws, procurement of consultancy services occurred with low formal demands and the selection of supplier was often based on trust and previous relationships (Bröchner et al., 2006). The laws resulted in clients having to evaluate all tenders fairly and be able to declare and motivate their selection of suppliers. Section 69 - 77 of the Public Procurement Act, Act 663 stipulates the selection of consultancy.

As a consequence, procurement today is more based on measurable and formal aspects such as price than on informal relationships between clients and consultants.

## 2.3 General Procurement of Services

According to Schiele and McCue (2006), consultancy services are provided to organisations by trained individuals who help their client with identifying, analysing and solving certain problems. In some cases, the service provider can also contribute in the execution of the proposed solution. Public clients use consulting services for different types of assignments, such as environmental assessment, engineering and architectural planning.

Purchasing of services is becoming an increasingly important issue, thanks to an emerging services industry context, the deregulation of public services sectors, and a general trend of increased outsourcing in both the private and the public sector (Bryntse, 1996). The service market, however, and more in particular, the consultancy field is very extensive, covering such services as advertising agencies, lawyers, accountants, architects, building and construction engineers, computer consultants and management consultants (Turner, 1982; Edvarsson, 1989; Dawes et al., 1992).

Even though consultancy services are heterogeneous (Gadde and Hakansson, 1993), they have certain features in common (Shostack, 1977; Bryntse, 1996). Consulting projects are typically services and may be distinguished from products in various ways. These services are activities, rather than objects; they are abstract and thus difficult for the seller to communicate and for the buyer to test before buying. There is, because of this invisibility, a specification and evidence problem regarding performance. The dispersed nature of services makes control difficult (Bryntse, 1996). Secondly, they are most often partly produced and consumed simultaneously in a process in which both the service provider and the client are involved. Another typical feature is that there is a close link between the service and the person or persons providing it and that the client is very

often directly involved in the production process. These factors, among others, must be taken into account when purchasing services.

### **2.3.1 The Philosophy behind 'Selection of Consultants'**

The term 'consultants' includes a wide variety of private and public entities, including consulting firms, engineering firms, construction managers, management firms, procurement agents, inspection agents, auditors, United Nations (UN) agencies and other multinational organizations, investment and merchant banks, universities, research institutions, government agencies, nongovernmental organizations (NGOs), and individuals (World Bank, 2004). These consultants help in a wide range of activities - such as policy advice; institutional reforms; management; engineering services; construction supervision; financial services; procurement services; social and environmental studies; and identification, preparation, and implementation of projects to complement borrowers' capabilities in these areas.

While the specific rules and procedures to be followed for employing consultants depend on the circumstances of the particular case, five main considerations guide the Bank's policy on the selection process (World Bank, 2004):

- The need for high-quality services;
- The need for economy and efficiency;
- The need to give all qualified consultants an opportunity to compete in providing the services financed by the Bank;
- The need for transparency in the selection process; and
- The World Bank's interest in encouraging the development and use of national consultants in its developing member countries.

### **2.3.2 Trends in Procurement of Services**

The purchasing, marketing and professional services literatures include several studies of the selection procedures for the acquisition of services provided by professional services firms. Particularly the procurement of management consulting services has attracted the interest of a number of researchers. However, research focused on the private sector still dominates in comparison with the procurement of these services in a public sector context.

Several studies have been made comparing the public and private sector in different countries (Murray, 2007; Ang et al. 2005). Cheung, Chan and Kajewski performed a survey in 2010 which showed that the general opinion was that the private sector is more effective and innovative than the public. Roodhooft and Van den Abbeele (2006) looked at another perspective and performed a comparison study between procuring consulting services in the public and private sector. They argue that the private sector paid more attention to carefully defining the need for a consultant project. In addition, Roodhooft and Van den Abbeele found that there is a considerable difference in market knowledge between the sectors and that the private side has a better understanding of the consulting market and acceptable prices for consulting services. As a result of this, clients within the private sector are often more satisfied with the performance of the consultant than those on the public side. Some researchers claim that a comparison between public and private procurement is not fair due to its different conditions (Murray, 2005). Laws and political decisions often restrict public procurement more than private. However in the Netherlands, the politicians are working together with the actors from the construction industry in order to create better conditions to construct (Ang et al., 2005; van Herk et al., 2006). Emphasis of the collaboration lies on deregulating and focusing on

performance-based approaches in order to become more efficient and innovative in the construction process.

The process of procuring is restricted and competition has increased due to many laws and regulations. However, Hoxely (2000) claims that competition can lead to decreased service quality. His theory was based from a quote by the Monopolies Commission. “Price Competition might create serious dangers in relation to quality of services of a particularly personal nature or of whose quality the public are generally incapable of judging. Some clients might accept incompetent service at a lower price without appreciating the risk involved.” (Monopolies Commission, 1970, referred in Hoxely, 2000) Bryntse (1996) stated that the procurement of services has become more important due to the regulation of public services sectors and the trend towards outsourcing technical competence.

## **2.4 Process of Selection of Consultant**

Lam et al. (2004) believes that successful procurement methods can be found by looking at benchmarking projects. In that same study the authors claim that the success of a project depends on a combination of the projects characteristics, environment, work atmosphere, procedures and management strategies as well as project-related participants.

Contractual arrangement and tendering system were illuminated as the most important issues included in project procedures. Raymond and Jeanette (2008) state that value for money, VFM, as the most important principle of procurement but also as a factor that is difficult to benchmark. A reason behind this is the fact that the concept is quite complex and the translation of the term often varies, making it difficult to compare.



Within the realms of construction management research, most studies of procurement practice have been concerned with procurement of contractor services (Wong et al. 2001; Palaneeswaran et al. 2003; Waara and Bröchner 2006; Kadehors et al. 2007; Holt 1998, 2010). More recently, however, procurement of construction professional services has started to gain interest among academics. While local practices in the US vary widely, public procurement often relies on so-called qualifications-based selection (QBS) of professional architectural and engineering services, due to the federal 1972 Brooks Act. In a New York study, Christodoulou et al. (2004) compared the QBS method with traditional competitive bidding. A conclusion of this investigation was that presumed cost savings in design services for existing price-dominant practices were actually insignificant and offset by escalating costs in the construction phase.

Further, Day and Barksdale (2003) found that both private and public sector choice of US construction consultants were based on evaluations on three main factors - capability, chemistry, and/or client orientation. This was an extension of an earlier study (Day and Barksdale 1992) which showed that the relationship with existing and potential clients and the personality of the architectural or engineering firm's personnel were significant factors for architectural and engineering companies in getting a contract.

In the UK, Hoxley (2000; 2001) adapted and applied the SERVQUAL scale to investigate the link between procurement and quality of professional services. Analysis of data from about 200 clients indicated that their perception of service quality was higher when care had been taken with pre-selection of tenderers and when adequate weight to ability was given in the final selection process.

Further, based on a Hong-Kong study, Chow and Ng (2010) have proposed a detailed set of indicators for evaluating the expected performance of engineering consultants when

procuring design services. In this research a survey was conducted among practicing engineers and procurement experts to unveil the standards for various performance levels which correspond to a list of indicators used for gauging engineering consultants' performance at the design stage.

Investigations in construction management have also indicated the complications that may arise in the utilisation of multiple criteria. For instance, opponents of QBS have pointed out that the method is based on subjective criteria and that it prevents new firms, with limited experience, from obtaining contracts (Christodoulou et al. 2004). Also, apart from identifying relevant selection criteria, there may be difficulties to attain a balance between the importance of price and non-price criteria. Hence, empirical evidence from a Swedish study suggests that once price is introduced, consultant selection becomes biased in favour of the lowest fee rather than the quality of service (Lindqvist 2001). Similar findings have been reported for other countries by CIC (1998) and Drew et al. (2002).

A Dutch study by Volker (2010) focused specifically on the decision-making process of public procurers, by looking at the process of value judgment and decision-making of public clients during architect selection. Based on four case studies, several situational characteristics were identified to influence the decision-making process of public commissioning bodies. These included among others expertise, intuition, system, time, trust and uncertainty. A conclusion of the investigation was that architect selection can be seen from two different rationalities; a legal perspective and a psychological perspective



### 2.4.1 Methods of Selection of Consultants

The method of selection should seek to develop mutual confidence and trust. Depending upon the various situations, different methods of selection of consultants have been suggested:

- **Quality and Cost-Based Selection (QCBS):** This method is based on the quality of the proposals and the cost of the services to be provided, and is appropriate when the scope of work of the assignment can be precisely defined and where the staff time as well as the other inputs and costs required of the consultants can be estimated with reasonable precision. QCBS is appropriate for assignments such as feasibility studies and designs where the nature of the investment is clear and well defined, known technical solutions are being considered, and the evaluation of the impacts from the project are not uncertain or too difficult to estimate (Word Bank, 2004).

- **Quality-Based Selection (QBS):** This method can be suitable for complex or highly specialized assignments for which it is difficult to define precise terms of reference and the required input from the consultants. The fees paid to a consultant are invariably a small fraction of the total project life-cycle cost and yet the consultant's work is key to project success. For these reasons, it has been recommended that the preferred selection method for consulting services be the QBS method (Word Bank, 2004).

- **Selection under a Fixed Budget (SFB):** This method is appropriate only when the assignment is simple and can be precisely defined and when the budget is fixed (Word Bank, 2004).

- **Least Cost Selection (LCS):** This method is only appropriate for selecting consultants for assignments of a standard or routine nature (Word Bank, 2004).

- **Selection-Based on the Consultants' Qualifications (CQS):** This method may be used for small assignments for which the need for preparing and evaluating competitive proposals is not justified (World Bank, 2004).

- **Single-Source Selection (SSS):** Single-source selection of consultants does not provide the benefits of competition in regard to quality and cost, lacks transparency in selection, and could encourage unacceptable practices. Therefore, single-source selection should be used only in exceptional cases.

However, QCBS is the preferred policy method as it uses a competitive process among shortlisted firms that takes into account the quality of the proposal and the cost of the services in the selection of the successful firm (World Bank, 2004). However, in practice it is not the most frequently used method. The World Bank's e-Procurement for the Selection of Consultants solution supports all of the selection methods, plus the ability to select Individual consultants, not associated with firms.

#### **2.4.2 Selection Criteria of Consultancy Services**

As previously mentioned, selecting suitable consultants is of high importance of the outcome. Sporrang (2011) has carried out a research on public procurement of architectural and engineering consultants with focus on the selection criteria. She argues that it is complicated to find criteria for selecting consultant that does not refer to lowest price. Different researchers (Ang et al., 2005; Roodhooft and Van den Abbeele, 2006) support her theory and have advocated that laws and regulations restrain the public clients to only focus on the tenders with the lowest prices. Sporrang stresses in her study that the public sector has a significant focus on price and only measure the non-price criteria casually when it comes to evaluating the tenders. Technical consultants' competence is of great importance for the outcome of any 11 construction project.

However, Sporrong's study indicates that public purchasers are restricted by the laws when evaluating the consultant's competence with particularly focus on design and execution of projects.

The success of a service provider's contribution in a project relies on many different aspects. Competence of the consultants is important but cannot be useful if the relationship between the supplier and the purchaser is inadequate. A successful end result depends of the collaboration between all actors involved and aspects such as ability to communicate and trust are therefore of great importance (Sporrong, 2011). Taking this in consideration, the selection of service providers within the private sector is often based on experience from previous projects or recommendations from other purchasers. However, in the public sector, procuring consultants by these criteria is restricted by laws and regulations such as LOU and LUF.

According to Day (1998), qualifications-based selection should be applied when procuring professional services rather than awarding the lowest priced tender. He claimed that selections based on lowest price often result in the service providers focusing on cost rather than on the service itself. This can be avoided by applying qualifications-based selection, where the four elements to include are

- technical qualifications;
- experience from similar projects;
- current workload; and
- compatibility

Sturts and Giffis, (2005) claim that quality-based selections of consulting services are becoming more common on the market. They stress that improved quality can be gained by not awarding lowest priced bids. Sturts and Griffis also bring forward that different

clients are developing new contracting strategies that includes different selection criteria in order to maximise the value of services. As an example, the researchers mentioned a contract regarding a bridge design, where a selection committee rated each tender proposal with a technical proposal. A price per technical point was calculated by dividing the lump-sum with the technical score, and the proposal which offered the most per service dollar was awarded the contract. Sporrang (2011) researched the most common selection criteria used by municipalities when procuring consultancy services. The result showed that tender price is the dominating criterion used. Commonly used non-price criteria related to the key project personnel and aspects such as their individual experience, education and personality. Other criteria that were included in less than 15 per cent of the studied cases were technical aspects of design, creative solution, project execution plan, aesthetic aspects of design and life-cycle costs.

## **2.5 Challenges in the Procurement of Consultancy Service**

These challenges are probably greater in the public sector than in the private sector. One specific challenge of public sector is the strict regulations concerning procurement and public tendering. Public sector also has the complexity of satisfying different needs and different stakeholders. There are also challenges in acquiring or procuring of consulting services. These challenges includes the difficulties in specifying requirements, risks of incurring costs and problems inherent in outsourcing firm specific knowledge to external consultants, Dawson and his co-authors (Dawson et al., unpublished) expands on this. One additional problem which may be crucial, is the information asymmetry between the professional consultant and the client (Sharma, 1987). Whereas the consultant has specific knowledge about the clients needs and about the types of Information Systems that may be relevant, the client does not know how the professional does the job, or what

he or she does. This is further compounded by the ambiguity of knowledge services and their extreme heterogeneity (Alvesson 1993; Clark 1995; Mitchell et al 2003; Gluckler and Armbruster 2003).

Professional services were characterised as complex (Axelsson and Wynstra 2002). This makes it difficult for clients to assess the technical quality of such services, sometimes even after they have been delivered (Maister, 1993; Maister et al 2000; Hausman 2003). For example, both Smeltzer and Ogden (2002) and Roodhooft and Van den Abbeele (2006) found that public buyers in general have limited experience of procuring consultancy services. In the UK, lack of procurement experience of consultancy services has been identified as both a condition within public departments (Mitchell 1995) and a source of concern (Cabinet Office 1994).

It is widely recognized that competitive tendering on price alone is rarely a suitable means of selection as the professional approach of firms can vary widely (Wimmer, 2003).

Also, services often are executed by human resources, which lead to problems when it comes to defining and reviewing the performance (Roodhooft and Van den Abbeele, 2006). Another difficulty when it comes to procuring services is that the satisfactory outcome of the service delivery depends on the purchaser. It is the responsibility of the purchaser to specify the service to be provided, which is normally done in a contract document. Schiele and McCue (2006) claim that it is the purchasers' job to ensure that the client's needs are communicated and specified in a clear and comprehensive manner so that others can act upon the request and fulfill the specific need. However, Mitchell (1994) state that it is a known fact that some tenderers do not execute contract documents carefully which, in most cases, affects the end result negatively. Its formulation is of great importance for the final outcome of the project. However, cases occur where



consultancy firms bid on the same job but with different interpretation of the contract and the scope of the work (Day, 1998). The result of such scenario is variations in both cost estimates and quality level. Smeltzer and Odgen (2002) also stress the importance of clear formulations in the contract document. Their research show that professional purchasers perceive that the complexity of acquiring material or services depends on the clarity and preciseness of the specification or statement of work.

Furthermore, the consultancy cannot be realistically tested prior to purchase and the level of associated complexity becomes obvious because of the buyer's limited experience with purchasing such a service (Corcoran and McLean, 1998). The main problem in purchasing consultancy services appears to relate to the purchaser's difficulty in judging what is being offered (Lunsford and Fussell, 1993). Besides these problems, the multi-faceted nature of the consultancy services (Gummesson, 1991) and the potential impact of the consultancy services on the reputation of the organization (Dunning, 1989) also contribute to making the purchase of the consultancy services to be riskier (Lunsford and Fussell, 1993).

Therefore, the performance of technical consultants influence the quality and costs of built facilities (Sporrong, 2011). Defining and specifying the range consultants' performance is of great importance but is complicated since services include features that make it difficult to separate it from its context. Bryntse (1996) define services as intangible activities that are difficult to measure and are often performed in multi-unit organisations where other activities are on-going simultaneously.

### 2.5.1 The Complexity of Consultants Selection

Selecting the project consultant is one of the most important decisions an owner or client makes in the life of the project. The success of any project often depends upon obtaining the most able, experienced and dependable expertise available at an appropriate cost. The impact of selecting of consultants on the overall success of the project should never be underestimated. A consultant, be it an organization or an individual can make substantial contributions to sustainable development, by undertaking work that is performed less effectively by government entities, and by increasing the industry's maturity and effectiveness (FIDIC, 2003). The best project results are achieved when there is a true professional relationship of trust between the client and the consultant who is expected to make sound, objective decisions. However, selection of proper consultant is not an easy process. Corcoran and McLean (1998) argue that selection of consultants requires the purchaser to assess a supplier's ability to deliver consultancy, which is an intangible product.

The procuring decision for professional services is often described as complex and fraught with difficulties. This has in turn been related to factors such as the intangible nature of services, the asymmetry of information between the client and potential supplier, and customer inexperience (Gallouj 1997; Lovelock and Yip 1996, Lunsford and Fussell 1993). Further, in literature the selection criteria are not always distinguished from sources of information (e.g. reputation of a firm or former training of the firm's personnel). Not unusually, they are simply defined as 'criteria'. A review of previous research on the selection of professional service providers in both the private and public sector shows that there are a number of decision elements including both selection criteria and information sources which are frequently used. These include previous experience of the supplier (Stock and Zinszer 1987; West 1997; Corcoran and McLean



1998), reputation of the company (Stock and Zinszer 1987; West 1997; Corcoran and McLean 1998) or consultants (Dawes et al. 1992), past experience with consultant or firm (Stock and Zinszer 1987), recommendations inside and outside the organisation (Stock and Zinszer 1987; West 1997) and personal contact with the consultant (Stock and Zinszer 1987; Dawes et al. 1992). Generally speaking, there seems to be a low importance of price (fee) in the selection of these services (Stock and Zinszer 1987; Dawes et al. 1992; West 1997).

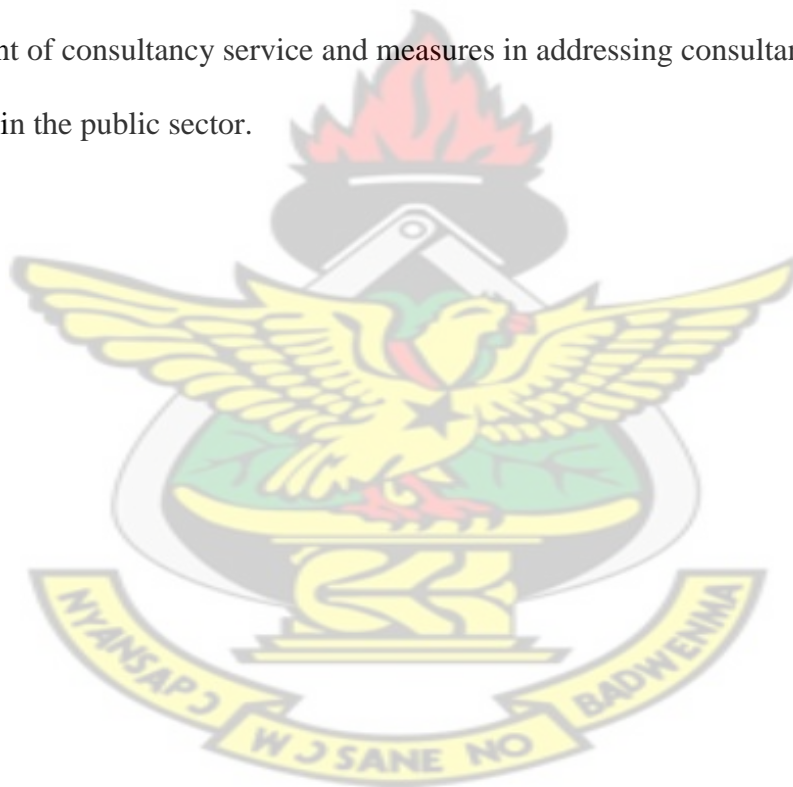
In literature, the importance of the relationship between the client and the supplier is frequently stressed, often referred to as decreasing purchase uncertainty (Bund Jackson 1985; Dwyer et al. 1987; Han et al. 1993). In line with this, previous research on both private and public sector procurement in management consulting, as well as in other professional services has shown that established trust between the buyer and the supplier, as reflected in for example experiences from personal contact with consultants, may have an important influence on the selection of a supplier (Dawes et al. 1992; Clark 1995; Grey 1998; Glücker and Armbrüster 2003; Furusten and Werr 2005; Lindberg and Furusten 2005).

Continuing in this vein of 'personal preference', a distinction is sometimes made in the literature between 'personal' sources of information used in the procurement of services, such as client's past experience of a supplier and recommendations by others inside and outside the company (Stock and Zinszer 1987), and 'official' or non-personal channels such as supplier nominated references (ibid). The most highly rated source of information used by organisations when selecting both management consulting services and professional services in general, has been found to come from 'personal' sources (Dawes et al. 1993; Kotler and Connor 1977).

In spite of this rather homogenous picture of private and public sector procurement, there is an important difference between the sectors pertaining to the legal environment in which public procurement occurs.

## **2.6 Summary of Chapter**

The procuring decision for professional services is often described as complex and fraught with difficulties. This chapter reviewed literature on the procurement of consultancy services in the public sector. It further reviews challenges in the procurement of consultancy service and measures in addressing consultancy procurement challenges in the public sector.



## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.0 Introduction

This chapter describes the researcher's general study approach, discussion of data collection methods employed. The methodology also informs the strategy and procedure to be employed in carrying out the research agenda and how the data collected is interpreted.

#### 3.1 The Study Area

Extensive government intervention characterised financial sector policies in the post-independence period (Brownbridge and Gockel, 1997). Public ownership dominated the banking system: all the banks set up between the early 1950s and the late 1980s were wholly or majority owned by the public sector, while the government also acquired minority shares in the two already established foreign banks in the mid-1970s.

The Ghana Commercial Bank (GCB) was set up in 1953 to improve the access to credit of indigenous businesses and farmers. It was also instructed to extend a branch network into rural areas, so that people in the rural areas would have access to banking facilities, and was heavily involved in lending to agriculture. Ghana Commercial Bank (GCB) became the largest bank in Ghana. The Social Security Bank (SSB), which is now called SG-SSB, was set up in 1977. It grew rapidly to become the second largest bank in Ghana, with 18% market share of deposits in the late 1980s, providing credit, including longer term loans, for businesses and consumers. A merchant bank, Merchant Bank Ghana (MBG), was set up in 1972 as a joint venture between ANZ Grindlays, the government and public sector Finance Institutions (FIs). To fill the perceived gaps not served by the commercial banks, especially for long term finance, two development

finance institutions (DFIs) were set up: the National Investment Bank (NIB), in 1963, to provide long term finance for industry; the Agricultural Development Bank (ADB) in 1965.

The objectives of these banks were tailored to meet the financial needs of specific sectors of the economy and promote the development needs of these sectors. For instance, banks were established to promote investment, construction and agricultural development in Ghana.

### **3.2 Population**

A research population can be defined as the totality of a well-defined collection of individuals or objects that have a common, binding characteristics or traits. The population for this study comprised of all those who are involved in procurement of consultancy services in public financial institution within the Greater Accra Region. The main reason for using this category of people is that their activities directly or indirectly has a bearing on procurement of consultancy services in the public financial institution.

The target population for the study includes all the banks licensed by the Central Bank (Bank of Ghana). In all, three banks are listed as Public Financial Institutions (Banks) Ghana Stock Exchange. Listed banks Ghana Commercial Bank, Agriculture Development Bank and National Investment Bank were chosen because the objectives of these banks were tailored to meet the financial needs of specific sectors of the economy and promote the development needs of these sectors.

### 3.3 Sample and Sampling Techniques

The difficulty of interviewing the whole population due to financial, time and other constraints make sampling inevitable element in research work. According to De Vaus (2001) the process of sampling makes it possible to limit a study to a relatively small portion of the population. A sample is thus a representative selection of a population that is investigated into in acquiring statistical information of the whole.

Purposive sampling can be applied to research in a number of ways such as, sampling informants with a specific type of knowledge or skill (Creswell, 1994; Patton, 2002). This form of sampling is also suitable for a small sample (Neuman, 2000); hence, the researcher's decision to use purposive sampling, looking at the small nature of the sample and the fact that the sample selected will help the researcher achieve its objective.

In this study, purposive sampling technique was employed in the identification and selection of the public financial institutions. The public financial institutions that were purposively selected were Ghana Commercial Bank, Agriculture Development Bank and National Investment Bank.

Determination of a sample size in every research is very important. This is based on a number of factors such as the population size, the risk of selecting a "bad" sample and the allowable sample error (DeVaus, 2001). The researcher by use of a census approach limited the respondent to ten members each of the respective banks who happens to be involved in the procurement of consultancy services. Namely head of procurement department, assistant and eight other procurement offices. This became necessary because the type of information needed could only be provided by staff with knowledge on procurement of consultancy services.



### **3.4 Data Collection and Processing**

The data collection methods or techniques formed an important part of this research. According to Patton (2002) using more than one data collection instrument strengthens and gives credibility to the study. The use of more than one data collection instrument portrays a true picture of the case under study. In this regard, the researcher gathered the required data from two (2) different sources. This approach was used because it revealed issues that could not be raised in using only one data collection instrument. The study made use of primary data sources in order to gather relevant information for the study. As indicated by Pickett (1998), ‘current and future success of an enterprise is a reflection of the effectiveness of the senior team, their vision and leadership and combined knowledge and skills of the organisation’. In this regard identified respondent and contributors to the study were drawn from a population of people who are perceived to have required knowledge and interest in the area under study and play key roles in procurement of consultancy services in financial institutions.

#### **3.4.1 Primary Data**

The main research instruments used were questionnaires and interviews. This was done with the focus on the objectives set in the study. The primary data were collected from the selected respondents within the sample frame in the research population. The analysis of the study was substantially based on this data.

According to Al-Moghany (2006), researchers cannot assume that people think in certain ways without asking them what they think. The structured questionnaire is probably the most widely used data collection technique for conducting surveys to find out facts, opinions and views (Naoum, 1998).



The interviews were adapted to collect detailed information about respondents' experiences and impressions about procurement of consultancy services. It was also used to collect preliminary information to help in structuring the questionnaires. The questionnaire survey was also adapted to get feedback on opinions of respondents' about procurement of consultancy services and the challenges in the public financial institutions in Ghana.

### 3.5 Questionnaire Design

The research questions were developed by the researcher and were reviewed by some experts in academia and in procurement practice. Subsequently, a pilot test of the questionnaire and interview was conducted in order to identify and eliminate potential ambiguity in the questionnaire. Generally, the questionnaire is designed to collect general data from the construction professionals and procurement officers. These questions were grouped in categories to collect data on nature of procurement of consultancy services adopted by public financial institutions.

All items were rated by participants on a five-point Likert scale. The instrument consisted of the following sections: Section A, solicited personal and general information from the participants using objective test. Section B, solicited information on respondent's procedures and processes in the procurement of consultancy services. In section C each item was scaled from 1-5 with the statement: Strongly Agree, Agree, Disagree, and Strongly Disagree respectively. Questions in this section solicit data on challenges and measures in the procurement of consultancy services.

Specific information or records that designated the indicators were also identified and rated on a scale of 0-5; "0" rating indicates absence of the required information whilst "5" points out that the information available is satisfactory.

### **3.5.1 Questionnaire Administration**

A complete set of questionnaire with a covering introductory letter from the Department of Architecture at Kwame Nkrumah University of Science and Technology, Kumasi were administered in person and electronically at places where the researcher will be unable to personally make the trip. The identified prospective respondent will be given enough time to conveniently and conformably respond to the questionnaires and made them ready for collection or return them electronically. The primary data collected was reviewed by the researcher to ensure maximum accuracy, legibility, completeness, consistency and to reduce ambiguity.

### **3.6 The Research Design**

The research design concerns purely a plan of information required to answer the research questions or problems and the required concept, paradigm and instrument for the collection of the requisite information for the research (Frazer and Lawley, 2000). The particular paradigm adopted will help in the choice of an appropriate research methodology (Bailey, 1987). However, in as much as any researcher can use different strategies in his/her research, different research designs may be employed as recounted earlier where appropriate and suitable. Moreover, it is likely that by choosing just one of the types, a researcher can contribute significantly to theory development (Saunders, et al., 2007). This research employs the quantitative research design given the nature of the agenda and the characteristics of the measurement. Besides, as recounted in the literature review, case study which is a quantitative research strategy is the most suitable strategy to adopt in measurement of the implementation challenges and this is most consistently adopted design.

### 3.7 Data Analysis

A qualitative and quantitative approach to data analysis was employed for the study. The data collected will be edited, sorted, and coded. Statistical Package for Social Scientists (SPSS Version 20) and Microsoft excel will be used to analyse the data. Frequency tables, percentages, bar charts and other descriptive were used to analyse the results. The results from these analyses provided the basis for finding out what patterns and common trends run through the responses with respect to the procurement consultancy services. The basis for deviations from the common trends running through the responses was also established from the analysis using mean score ranking and standard deviation.



## CHAPTER FOUR

### RESULTS AND DISCUSSIONS

#### 4.0 Introduction

This chapter focuses on organization, structuring and characteristics of the data collected from the field as well as the analysis and interpretations drawn from it to address the key research objectives and questions captioned in chapter one. The results obtained are compared with the relevant literatures and the researcher comments are added. This chapter deals with the analysis and discussion of the data collected to access the procurement of consultancy service in public financial institutions. The analysis is pivoted around the objectives of the study, that is, to identify the procedure for procuring and managing consultants, identify challenges of public financial institutions in the procurement of consultancy services and measures in the procurement of consultancy services. The researcher employed the use of Statistical Package for Social Sciences (SPSS) and Microsoft Excel for the organization of the data presentation, description and analysis. The statistical tools used for the analysis were Mean Score rankings and Standard deviations to analyse the dependent variables. This chapter also presents the results of the analysis and discussions in the form of texts, figures and Tables. The chapter is organized as follows; Background information of Respondents and analysis of dependent variable. Out of the thirty (30) questionnaires administered, twenty-one (21) were completed and returned representing 70%. The analyses are based on the 70% questionnaires completed and returned. The high response rate can be attributed to the fact that questionnaires were administered in person and successive follow-ups thereafter. When the questionnaires were issued to the respondents in person, the respondents were encouraged to fill it right away.

## 4.1 Data Analysis

The data analysis was carried out in four parts. The first part concentrated on the background of the respondents which was based on information carried in the section A (general information) of the questionnaire, section B comprises the procedure for procuring and managing consultancy services while section C on challenges in the procurement of consultancy services and the last section comprised an measures in procurement of consultancy services.

### 4.1.1 Presentation of Results and Discussions

On the first part of the analysis, descriptive statistics were obtained on the responses given on the variables in the section A. This involved the frequency and percentage of responses to each of the variables. The questions centered on their occupation, experience and level of education. This helped to assess and increase the validity, reliability and precision of the responses and result of the main research. The result is summarized in Table 4.1.

**Table4. 1: Characteristics and Analysis of the Demographic Data**

VARIABLES		FREQUENCY	PERCENTAGE
Professional Background	Procurement Manager	4	19.0%
	Facilities Engineer	2	9.5%
	Quantity Surveyor	8	38.1%
	Procurement Officer	5	23.8%
	Real Estate Manager	2	9.5%
Educational Level	GCE A' Level/SSCE or equivalent	-	-
	Higher National Educational Diploma (HND)	4	19%
	Bachelor Degree	9	42.9%
	MBA/MSc	8	38.1%
Years of Experience	1-5years	4	19%
	5-10years	7	33.3%
	10-20years	8	38.1%
	Over 20years	2	9.5%

**Source: Field Data**



From Table 4.1 above, on the occupation of the respondent, procurement officers and quantity surveyors who answered the questionnaires constituted 24% and 38% respectively, while 19% and 10% of the professional are made up of procurement managers, facilities manager and real estate managers respectively. This also indicates that the responses of the respondents are of high level reliability, validity and precision. This is because the greater level of involvement in procurement of consultancy suggests that they are more likely to understand the subject matter, give right interpretation to the variables and as such give accurate answers to the variables.

Forty-three percent of the respondent hold bachelor's degree, while 38% hold MBA/ MSc degree in their respective profession. The study further showed that 19% of the respondent holds Higher National Diploma (HND) certificates (Table 4.1).

In the area of experience, 33% respondents out of the 21 respondents had 5-10 years' experience whereas, 19% had experience below 6 years (1-5years). In addition 38% of respondents with experience from 10-20 years and 10% of the respondent had 20 years and above of experience also confirm that the respondents have adequate experience on the subject matter and are more likely to give accurate answers to the variables.

#### **4.2 Analysis of Dependent Variables**

Two statistical analyses were undertaken, namely mean score and standard deviation. The respondents were asked to rank the various factors and challenges in terms of usage and level of knowledge using the likert scale. Using the five-point likert scale rating, a criterion is deemed significant if it had a mean of 3.5 or more and 2.8 if it's based on the four-point likert scale. Where two or more criteria have the same mean, the one with the lowest standard deviation is assigned the highest significance ranking (Ahadzie, 2007). Standard deviation values of less than 1.0 indicate consistency in agreement among the



respondents of the reported level of results (Ahadzie, 2007). They were altogether used to assess the various variables under the different sub-sections. The procedure, findings and relevant discussions are as follows.

#### 4.2.1 Procedure for Procuring and Managing Consultancy Services

In an attempt to access the procurement of consultancy service in public financial institutions, it deemed necessary and imperative to ascertain the procedure for procuring and managing consultancy services. In view of this respondents were asked to rate them according to their degree of knowledge on them on a five-point likert scale items (1=Strongly disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly agree). Hence in establishing the level of practice, two different tools were adopted – mean score and standard deviation. When the responses of the professionals (real estate managers, quantity surveyors and procurement officers) on procedure for procuring and managing consultancy services, the results showed no significant difference at 5% significance level. Hence, all the data were pooled together (Tables 4.2, 4.3 & 4.4).

**Table 4.2: Selection criteria**

<b>Selection Criteria</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Ranking</b>
Positive experiences from former projects	4.5238	.60159	1 <sup>st</sup>
Industry expertise of the consultancy	4.3333	.57735	2 <sup>nd</sup>
Formal criteria (Price/performance ratio)	4.0952	.83095	3 <sup>rd</sup>
Reputation of the consultancy	4.0952	.62488	4 <sup>th</sup>
Recommendation by a third person	2.6190	.58959	5 <sup>th</sup>
Personal relation to the consultancy	1.4762	.81358	6 <sup>th</sup>

**Source: Field Data**

From the analysis in Table 4.2 the respondents indicated that a high level of agreement with the procedure with all the variables having a standard deviation below one (1). ‘Positive experiences from former projects’, ‘Industry expertise of the consultancy’, ‘Formal criteria (Price/performance ratio)’ and ‘Reputation of the consultancy’ were the major criteria in the selection of consultant for public financial institutions.

The results confirm findings in literature, that previous experience of the supplier (West 1997; Corcoran & McLean 1998), reputation of the company (West 1997; Corcoran & McLean 1998) or consultants (Dawes et al. 1992), past experience with consultant or firm (Stock and Zinszer 1987), recommendations inside and outside the organisation (Stock and Zinszer 1987; West 1997) and personal contact with the consultant (Stock and Zinszer 1987; Dawes et al. 1992) are the major selection criteria in the procurement of consultancy services.

**Table 4.3: Source of Information**

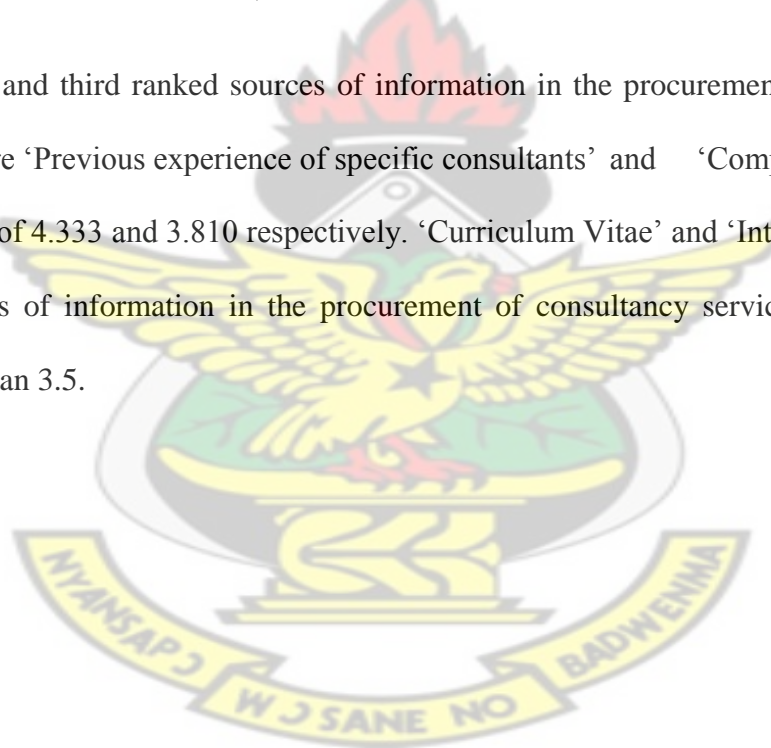
	Mean	Std. Deviation	Ranking
Previous experience of the company	4.7143	.46291	1 <sup>st</sup>
Previous experience of specific consultants	4.3333	.48305	2 <sup>nd</sup>
Competitions	3.8095	.51177	3 <sup>rd</sup>
References	3.2381	.94365	4 <sup>th</sup>
Recommendations by other purchasers (references not included)	3.0476	.80475	5 <sup>th</sup>
Company reputation	2.5714	.97834	6 <sup>th</sup>
CV	1.7143	.84515	7 <sup>th</sup>
Interviews	1.2857	.56061	8 <sup>th</sup>

**Source: Field Data**

The next part sought to find the sources of information in the procurement of consultancy service. It is important that purchasers have sufficient access to information to be able to select management consultancies (Corocan and McLean, 1998).

Table 4.3 above shows that 'Previous experience of the company' was the highest ranked source of information with a mean of 4.714 and a Std. deviation of 0.463. The findings show that a majority of the officials tend to prefer 'personal' sources of information, such as their previous experience of companies and consultants. Previous experience can be used in public procurement, but only if it is formalised and care is taken to ensure equal treatment of all tenderers (Kotler and Connor 1977; Dawes et al. 1993).

The second and third ranked sources of information in the procurement of consultancy services were 'Previous experience of specific consultants' and 'Competitions' with mean value of 4.333 and 3.810 respectively. 'Curriculum Vitae' and 'Interview' were the least sources of information in the procurement of consultancy services with a mean value less than 3.5.



**Table 4.4: Procurement Process Phases**

<b>PROCUREMENT PROCESS PHASES</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Ranking</b>
<b>Need detection</b>			
When purchasing consulting services, our organization always performs cost/benefit analysis	4.2381	.88909	10 <sup>th</sup>
When consultants are called in, the problems to be solved are analyzed and well defined	4.0952	.70034	12 <sup>th</sup>
When consultants are called in, the goals of the consulting project are analyzed and well defined	4.5238	.67964	5 <sup>th</sup>
<b>Selection</b>			
Our organization has a good knowledge of the market of consulting firms and their specific competences	3.0571	.96362	16 <sup>th</sup>
Our organization has a good knowledge of what are acceptable consulting prices	4.1905	.51177	11 <sup>th</sup>
Our organization thoroughly thinks through the various selection criteria	4.6667	.48305	1 <sup>st</sup>
Within our organizations a lot of attention is paid to analyzing the proposals we receive from the various consulting firms	4.6190	.49761	3 <sup>rd</sup>
When selecting consultants, our organization creates a genuine competitive situation	4.5238	.60159	4 <sup>th</sup>
<b>Follow-up</b>			
The project team is a multifunctional team	4.4762	.60159	6 <sup>th</sup>
The project team meets regularly	4.2857	.56061	9 <sup>th</sup>
The project team regularly reports on the progress made	4.6190	.58959	2 <sup>nd</sup>
<b>Evaluation</b>			
The assignment is most often as far as the (financial) administration is concerned evaluated at completion.	3.9524	.92066	13 <sup>th</sup>
Upon completion, a formal evaluation session is held with all parties involved in the project	3.7619	.43644	14 <sup>th</sup>
During the evaluation sessions all documents (offer, reports, etc.) are consulted	3.7143	.46291	15 <sup>th</sup>
Our organization keeps a record in a database of the experiences gained during consulting projects	4.3810	.80475	8 <sup>th</sup>
Our organization always takes the consulting firms' advice and applies their ideas	4.3810	.74001	7 <sup>th</sup>

**Source: Field Data**

Table 4.4 shows the ranking in the procurement process phrases (need detection, selection, follow-up and evaluation) for consultancy services by public financial institutions. From the findings ‘Organization thoroughly thinks through the various selection criteria’, ‘Project team regularly reports on the progress made’, ‘Within our organizations a lot of attention is paid to analyzing the proposals we receive from the various consulting firms’, ‘When selecting consultants, our organization creates a genuine competitive situation’ and ‘When consultants are called in, the goals of the consulting project are analyzed and well defined’ were the major ranked procurement process phase in the procurement of consultancy services.

The results further revealed that ‘the project team is a multifunctional team’, ‘our organization always takes the consulting firms’ advice and applies their ideas’, ‘our organization keeps a record in a database of the experiences gained during consulting projects’, ‘the project team meets regularly’ and ‘when purchasing consulting services, our organization always performs cost/benefit analysis’ were the other ranked phrases in the procurement of consultancy services. The standard deviation for all the variables identified was below 1 showing a high degree of agreement within the respondents.

#### **4.2.2 Challenges In The Procurement of Consultancy Services**

Following literature review a number of challenges in the procurement of consultancy services. The respondents were asked to rate how significant these challenges are using the Likert scale. Table 4.5 below shows the results of the analysis. It has already been stated that a criterion is deemed significant if it had a mean of 3.5 or more.

The results further revealed that ‘Technical aspects of design’, ‘Project execution/action plan’, ‘Individual experience of key project personnel’, ‘Innovative/creative solutions’, ‘Personality related criteria of key project personnel’, ‘Aesthetic aspects of design’,



‘Education of key project personnel’ and ‘Life-cycle costs’ were the main challenges in the procurement of consultancy services among professionals in public financial institutions with a mean value above 3.5.

The least ranked challenge was ‘Tender price’ with a mean value of 2.571. The standard deviation for all the variables identified was below 1 showing a high degree of agreement within the respondents. The result disagrees with the study of Sporrang et al. (2009), that public procurement regulations induce purchasing behaviour that puts price too much in focus. It is widely recognized that competitive tendering on price alone is rarely a suitable means of selection as the professional approach of firms can vary widely (Wimmer, 2003).

The results confirm findings in literature that, the cost for technical consultants represents only a small percentage of the total lifetime cost of a project (Day, 1998). For example, both Smeltzer and Ogden (2002) and Roodhooft and Van den Abbeele (2006) found that public buyers in general have limited experience of procuring consultancy services. Lack of procurement experience in consultancy services has been identified as a challenge within public departments (Mitchell, 1995).



**Table 4.5: Challenges in procurement of consultancy services**

<b>Challenges in procurement of consultancy services</b>	<b>Mean</b>	<b>Std Deviation</b>	<b>Ranking</b>
Technical aspects consultancy service	4.4762	.60159	1 <sup>st</sup>
Project execution/action plan	4.2857	.64365	2 <sup>nd</sup>
Individual experience of key project personnel	4.1905	.60159	3 <sup>rd</sup>
Innovative/creative solutions	4.0952	.53896	4 <sup>th</sup>
Personality related criteria of key project personnel	3.9048	.88909	5 <sup>th</sup>
Aesthetic aspects of design	3.9048	.30079	6 <sup>th</sup>
Education of key project personnel	3.6190	.58959	7 <sup>th</sup>
Life-cycle costs	3.5714	.92582	8 <sup>th</sup>
Tender price	2.5714	.81064	9 <sup>th</sup>

**Source: Field Data**

#### **4.2.3 Practices in Procurement of Consultancy Services**

On measures which would integrate good practices in the procurement of consultancy services, mean scores of 10 measures investigated and their rankings are presented in Tables 4.6 for professional (real estate managers, quantity surveyors and procurement officers) working in public financial institution in Ghana. Mean scores of all the measures in procurement of consultancy service are greater than the neutral value of 3.0, indicating that they are all important for procurement of consultancy service.

It can be seen from the results in Table 4.6 that the highest ranked measure was ‘Cooperation between internal functions in procurement’ with a mean of 4.619 and a Std. deviation of 0.498. This is supported by Sporrang (2011) who claimed that the success of a project depends on the relationship between all involved actors. The second ranked measure was ‘Knowledge of relevant evaluation methods’ with a mean of 4.524. The result further revealed that ‘Knowledge of The Public Procurement Act, Act 663’ ‘Competence for evaluating architectural services’ and ‘Management’s interest in

procurement related issues’ were the other important measures to the procurement of consultancy services with a Std. deviation of 0.512, 0.507 and 0.602 respectively.

The least ranked measure was ‘financial resources’ with a mean value of 3.000. Bryntse (1996) argues that the selection of service should primarily be based on qualifications and not on the price of the service. The standard deviation for all the variables identified was below 1 showing a high degree of agreement within the respondents.

**Table 4.6: Practices in Procurement of Consultancy services**

Measures in Procurement of Consultancy services	Mean	Std. Deviation	Ranking
Cooperation between internal functions in procurement	4.6190	.49761	1 <sup>st</sup>
Knowledge of relevant evaluation methods	4.5238	.51177	2 <sup>nd</sup>
Knowledge of The Public Procurement Act, Act 663	4.5238	.51177	3 <sup>rd</sup>
Competence for evaluating architectural services	4.4286	.50709	4 <sup>th</sup>
Management’s interest in procurement related issues	3.8095	.60159	5 <sup>th</sup>
Competence for evaluating engineering services	3.5714	.97834	6 <sup>th</sup>
Education of procurement personnel	3.4762	.60159	7 <sup>th</sup>
How the procurement function is organized	3.3333	.57735	8 <sup>th</sup>
Knowledge exchange (networks, other forums)	3.1000	.83666	9 <sup>th</sup>
Financial resources	3.000	.47792	10 <sup>th</sup>

**Source: Field Data**

The results confirm findings in literature that the industry is often criticised for being standardised (Altamirano, 2010; Abbott et al, 2007). The contract document should be used to create a common language for the involved parties in a specific project (Nikolova et al., 2009). The presented theory from Sporrang (2011) show that the performance of consultants services influences the quality and costs of built facilities.

### 4.3 Chapter Summary

This chapter was devoted to the findings on how public financial institutions procure and manage consultants vis-à-vis associated challenges.

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## CHAPTER FIVE

### CONCLUSIONS AND RECOMMENDATIONS

#### 5.0 Introduction

This chapter concludes the report by summarizing the issues, objectives addressed and lessons exposed throughout the study. The exposition is given on how the key research objectives were met. This is then followed by the main conclusions of the research findings. The chapter is subsequently brought to a close with recommendations for the adoption of the findings, entrenching its practice and preposition for future research.

#### 5.1 Review of Aim and Objectives

The main objective of this research, as noted earlier [see chapter 1, section 1.4], was to access the procurement of consultancy service in public financial institutions in Ghana. Subsequently a number of research objectives were developed to collectively enhance and satisfy this main objective. At this section, the research objectives are revisited to highlight the extent to which they were accomplished through the various phases of the research.

##### 5.1.1 Procedure for Procuring and Managing Consultants

In line with this objective, there was an extensive review of literature on the selection criteria, source of information and procurement process phases in the procurement of consultancy services.

As expected, we found that the public sector pays more attention to selection criteria and creating a competitive environment; this is a direct consequence of public procurement procedures that require detailed and thorough selection rounds. The findings show that a

majority of the officials tend to prefer ‘personal’ sources of information, such as their previous experience of companies and consultants.

On the procurement process phases of consultancy services procurement, the selection and follow-up phase is the most important phase of the process.

### **5.1.2 Challenges of Public Financial Institutions in the Procurement of Consultancy Services**

It was realized from the study that Public financial Institutions in the Greater Accra region have several challenges in the procurement of consultancy services.

The result from the study revealed that, ‘technical aspects of consultant service’, ‘project execution/action plan’, ‘individual experience of key project personnel’, and ‘innovative/creative solution’ were the challenges in the procurement of consultancy services by public financial institutions.

The results further revealed that, ‘personality related criteria of key project personnel’, ‘aesthetic aspects of design’, ‘education of key project personnel’ and ‘life-cycle costs’ were that other challenges in consultancy services procurement.

### **5.1.3 Practices in the Procurement of Consultancy Services**

The result also shows the measures in addressing the challenges in the procurement of consultancy services.

Though ten (10) measures were identified from literature, the main areas ‘Cooperation between internal functions in procurement’, ‘Knowledge of relevant evaluation methods’, ‘Knowledge of The Public Procurement Act, Act 663’, ‘Competence for evaluating architectural services’ and ‘Management’s interest in procurement related

issues' were the major measures in addressing challenges to procurement of consultancy services. Other measures include competence for evaluating engineering services and education of procurement personnel.

## **5.2 Conclusions**

The primary aim of this research, to access the procurement of consultancy service in public financial institutions in Ghana. Selecting suitable consultants is of high importance for improved delivery of goods, works and services in the procurement system. The findings from the study informs on conclusion to be put forward. From the study the following conclusions are made:

It has been observed from the results that consultancy service at public organizations often lack a formal evaluation. Further, it is remarkable that most organizations do not keep a record in a database of the experiences gained during consulting projects. It was also observed that majority of the officials tend to prefer 'personal' sources of information, such as their previous experience of companies and consultants in the procurement of consultancy services. An important step within a consulting process is embedding the new knowledge in the organization itself. In this way, an organization will avoid a continuous need for new consulting services.

## **5.3 Recommendation**

On the basis of this study's findings, it is suggested that:

It has been observed from the results that the necessity of a well-functioning public procurement system is critical for the improved delivery of decentralized goods, works and services. To achieve all these features of an efficient procurement system, the need



to develop new buying skills in market management, specification, competitive process, negotiation regulation and monitoring. Therefore, high-level management involvement, recognizing the importance of the procurement function within the public sector and supporting highly trained staff in implementing strategies for procurement of consultancy services.

Public sector need to develop an internal database from all their consultancy experiences in order to make procurement and evaluation process of consulting projects more professional. This is also supported by the position of Corcoran and McLean, (1998) in their study on procurement of consulting services by public organizations.

Different evaluation methods can be used in order for public financial institution to procure the right consultancy services for a specific project. For example, an execution plan is a way for the client in order to make sure that the consultants understand the scope of the project. It also shows indications of how the consultants plan to use their competence to reach the set goals. Another applicable evaluation method is the use of interviews, which can confirm the credibility of the tender and dedication of the consultants.

Public Financial Institutions should envision the whole project lifetime when procuring consultancy service and consider that the costs for consultancy services are minimal compared to the total lifetime cost for any consultancy service. Also, the service delivered can have major impact on the quality and the other costs of the service provided relating to production, operation and maintenance. Therefore, investments made in the early phases will most likely pay off in the long run. Public Financial Institutions should award the economically most advantageous tender and strive to keep the total lifetime cost as low as possible.

#### **5.4 Recommendations for Further Research**

This research was based on Public Financial Institutions. The research, whilst completed at this stage, has opened up opportunities for further research in many other areas. The findings in this research can be further extended and modified to accomplish the ultimate goal of procuring consultancy services by the both private and public sector in the Ghanaian financial sector.

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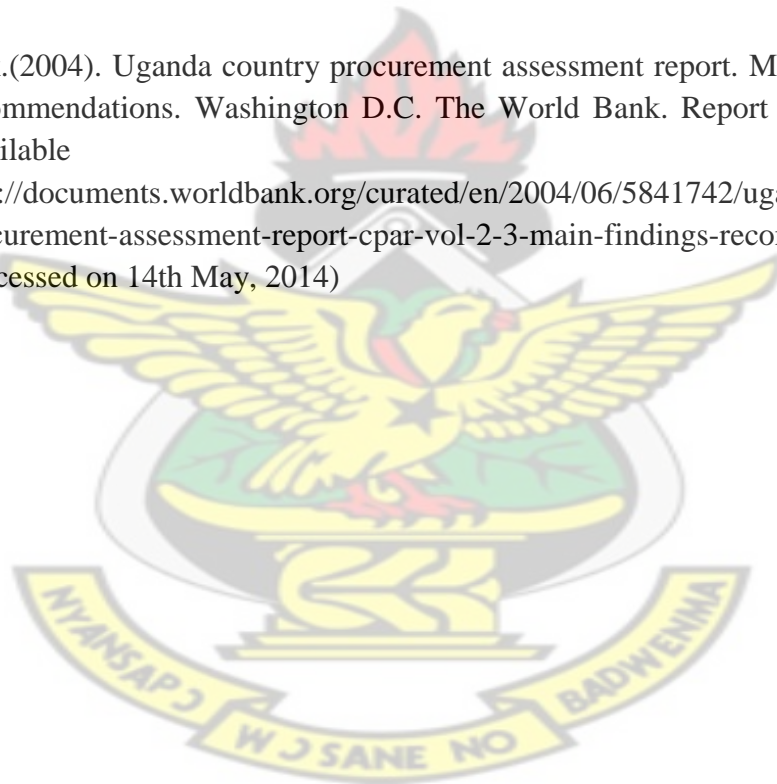


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## APPENDIX

# KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY DEPARTMENT OF BUILDING TECHNOLOGY MSc. PROCUREMENT MANAGEMENT

**Topic: PROCUREMENT OF CONSULTANCY SERVICES IN PUBLIC FINANCIAL  
INSTITUTION: A CASE STUDY OF FINANCIAL INSTITUTION IN THE GREATER ACCRA  
REGION**

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### Introduction:

I am a post-graduate student at the Kwame Nkrumah University of Science and Technology studying for a Master of Science Degree in Procurement Management. As part of successful completion of this programme, I am conducting a research into procurement of consultancy services in public financial institutions. Your response to this research will be confidential and will be used exclusively for academic purposes. The questionnaire is divided into four main parts.

Thank you in anticipation of your cooperation.

*Please return or direct any enquiries to:*

*Kwaku Frimpong Jnr*

*Tel: 0243138069*

*E-mail:kwakufrimpong@yahoo.com*

### PART 1 – RESPONDENT PROFILE

Please tick answers where applicable for the following questions:

#### Q. What is your professional background?

- |                          |   |   |
|--------------------------|---|---|
| A. Procurement Manager   | [ | ] |
| B. Facilities Engineer   | [ | ] |
| C. Quantity Surveyor     | [ | ] |
| D. Procurement Officer   | [ | ] |
| E. Real Estate Manager   | [ | ] |
| F. Others (Specify)..... |   |   |

#### Q. What is your highest educational level?

- |                                       |   |   |
|---------------------------------------|---|---|
| A. GCE A' Level / SSSCE or equivalent | [ | ] |
| B. Higher National Diploma (HND)      | [ | ] |
| C. Bachelor Degree                    | [ | ] |



D. MBA / MSc [ ]

E. Others (Specify).....

Q. How many years now have you been working in your present capacity?

A. 1 – 5years [ ]

B. 5– 10years [ ]

C. 10 – 20years [ ]

D. Over 20years [ ]

## PART 2: PROCEDURE FOR PROCURING AND MANAGING CONSULTANCY SERVICES

Q. Do you have an in-house consultancy department?

A. Yes [ ]

B. No [ ]

Q. What is your role in the procurement of consultancy service?

Role In The Procurement Process	Yes	No
I am personally responsible for negotiations between my organization and consultants		
I am personally responsible for the contractual arrangements with consultants		
I follow the contractual agreements with consultants as far as the implementation is concerned		
I follow the contractual agreements with consultants as far as the (financial) administration is concerned.		
I am the end user of the consulting services.		

(Please tick): 1=Strongly disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly agree

Q. What is the importance of the criteria's in the selection of consultancy services?

Selection Criteria	1	2	3	4	5
Recommendation by a third person					
Personal relation to the consultancy					
Reputation of the consultancy					
Formal criteria (Price/performance ratio)					
Industry expertise of the consultancy					
Positive experiences from former projects					

**Q. What is the important of the various sources of information in the selection of consultancy services?**

SOURCE OF INFORMATION	1	2	3	4	5
Interviews					
CV					
Competitions					
Company reputation					
Recommendations by other purchasers (references not included)					
References					
Previous experience of the company					
Previous experience of specific consultants					

**Q. Rank the importance of various procurement process phases in procurement of consultancy services.**

Procurement Process Phases	1	2	3	4	5
<b>Need detection</b>					
When purchasing consulting services, our organization always performs cost/benefit analysis					
When consultants are called in, the problems to be solved are analyzed and well defined					
When consultants are called in, the goals of the consulting project are analyzed and well defined					
<b>Selection</b>					
Our organization has a good knowledge of the market of consulting firms and their specific competences					
Our organization has a good knowledge of what are acceptable consulting prices					
Our organization thoroughly thinks through the various selection criteria					
Within our organizations a lot of attention is paid to analyzing the proposals we receive from the various consulting firms					
When selecting consultants, our organization creates a genuine competitive situation					
<b>Follow-up</b>					
The project team is a multifunctional team					
The project team meets regularly					
The project team regularly reports on the progress made					
<b>Evaluation</b>					
The assignment is most often as far as the (financial) administration is concerned evaluated at completion.					
Upon completion, a formal evaluation session is held with all parties involved in the project					
During the evaluation sessions all documents (offer, reports, etc.) are consulted					
Our organization keeps a record in a database of the experiences gained during consulting projects					
Our organization always takes the consulting firms' advice and applies their ideas					

### PART 3: CHALLENGES IN THE PROCUREMENT OF CONSULTANCY SERVICES

(Please tick): 1=Strongly disagree 2=Disagree 3=Neutral 4=Agree  
5=Strongly agree

Challenges of Procurement of Consultancy Services	1	2	3	4	5
Personality related criteria of key project personnel					
Innovative/creative solutions					
Aesthetic aspects of design					
Life-cycle costs					
Individual experience of key project personnel					
Project execution/action plan					
Technical aspects of consultant service					
Education of key project personnel					
Tender price					

Problems When Dealing With Consultancies	1	2	3	4	5
Definition of contract assignment					
Selection of qualified consultancies					
Contract negotiation					
Project steering					
Project evaluation					
Coordinating consulting projects within the company					

### PART 4 – PRACTICES IN THE PROCUREMENT OF CONSULTANCY SERVICES

(Please tick): 1=Strongly not important 2=Not important 3=Neutral  
4=Important 5= Very Important

Practices in Procurement of Consultancy Services	1	2	3	4	5
Cooperation between internal functions in procurement					
Management's interest in procurement related issues					
Education of procurement personnel					
Competence for evaluating architectural services					
How the procurement function is organised					
Competence for evaluating engineering services					
Knowledge exchange (networks, other forums)					
Financial resources					
Knowledge of The Public Procurement Act, Act 663					
Knowledge of relevant evaluation methods					