

**YANGON UNIVERSITY OF ECONOMICS**

**DEPARTMENT OF COMMERCE**

**PROCUREMENT RISK MANAGEMENT PRACTICES IN  
VICTORIA HOSPITAL**

**SHWE YEE HNIN**

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# **PROCUREMENT RISK MANAGEMENT PRACTICES IN VICTORIA HOSPITAL**

This thesis is submitted to the Board of Examiners in Partial fulfillment of the  
Requirements for Degree of Master of Commerce (M.Com)

## **Supervised by**

Daw Win Moe Moe Kyaw

Lecturer

Department of Commerce

Yangon University of Economics

## **Submitted by**

Ma Shwe Yee Hnin

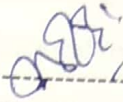
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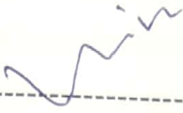
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Yangon University of Economics, in partial fulfillment for the requirements of the  
Master Degree, Master of Commerce.

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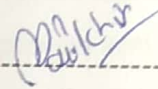


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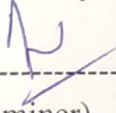


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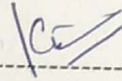


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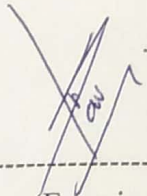


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(Examiner)

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Associate Professor

Department of Commerce

Yangon University of Economics



(Than Soe Co)

Head of Department

ACADEMIC AFFAIRS

Yangon University of Economics

November, 2018

## **ABSTRACT**

The purpose of this study is to explore and to analyze the risk management practice of Victoria Hospital. The qualitative research approach is conducted to gather the rich understanding of the perceptives and conditions. The data are collected through the interview process of the two participants: Deputy Assistant Manager and Senior Purchaser of Victoria hospital's procurement department. In addition, the thematic analysis is used to analyze the collected data. Using the thematic analysis, the results indicated that there is no proper risk management system within the organization so that problems regarding with supplier, organizational, technology, finance, market and human related errors were happening during the procurement process of the Victoria hospital. Due to the lack of risk management system, the Victoria's hospital has procurement problems and the impact of procurement. In general, Victoria hospital needs to implement or establish a strong risk management practices to prevent such problems and to work proactively rather than reactive nature. This study reveals the causes of risks, its consequences and effect on the procurement process as well as the importance of the risk management practices on the procurement process of the hospital. Thus, the finding of this study will contribute for the other hospitals by providing the risks that can happen during the procurement process and awareness of establishing the risk management practices, so that they can prevent and eliminate the risks beforehand.

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# CHAPTER 1

## INTRODUCTION

Nowadays, competitiveness is considered as one of the most important factors in the development of industry and also the pharmaceutical industry is no exception. The importance of competition in the pharmaceutical industry is so much that governments try to balance it with economic growth. In addition to the competitiveness, high medicine price and medical advancement could be factors that always threaten medical services. Also, owing to efficient procurement, supply and distribution of regular services and drugs, the access to medicines by the people has become as possible. However, according to the World Health Organization (WHO), one-third of the population in developing countries has no access to essential medicines (Holm et al., 2015).

In the healthcare industry, procurement of essential medicines and medical supplies plays an important role in healthcare delivery. Procurement is the acquisition of goods and/or services. It is favorable that the goods/services are appropriate and that they are procured at the best possible cost to meet the needs of the purchaser in terms of quality and quantity, time and location. In the procurement management, procuring and delivering the products or services to the clients at the right place, right time, right quality, right quantity and right price are the advantages to an organization (Lysons & Farrington, 2006).

All procurements contain risks that may impact on their progress so that it is important to identify, assess, and manage risks in the present to prevent it from becoming an issue. Risks can come from uncertainty in financial markets, project failures, legal liabilities, credit risk, accidents, natural causes and disasters as well as deliberate attacks from an adversary. **In most industries, an organization develops and implements risk management strategies to prevent and mitigate financial losses.** According to Khemani (2007), risk management strategies include: *Risk Avoidance*, that is, proactive action that eliminates the possibility of an event occurring, *Risk Transfer*, which are proactive actions (often financial or legal) that shifts risks to a third party, *Mitigate Risks*, this are proactive actions that reduce the probability of an event occurring, *Monitoring Risks*, is the continuous scanning of the environment that triggers alternative actions or the implementation of certain

measures if predefined thresholds are exceeded and *Risk Acceptance*, which are decisions to bear risk exposure without taking any additional actions.

In Myanmar, regarding to health service, Victoria is one of the leading health care organizations and hospitals and it is the private hospital based in Yangon that harnesses the vitality of the private sector to address the health problems of various income levels with various services such as heart and vascular center, derma care center, MPOC center and IUI (Intrauterine Insemination). Victoria offers various health care packages, services and healthy behavior that enable people to lead healthier and happier lives. Products and services are sold at acceptable prices range. In the health care service sector, since it is necessary to deliver high quality patient care by ensuring they have a reliable and agile supply chain, procurement process has become an important role in hospitals. There might be many reasons for this, but focus can take place on one of the important role of the procurement, which is related to risk management (**CIPS-2012**). Risk management is “the identification, assessment, and prioritization of risk followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events or to maximize the realization of opportunities” (ISO 31000:2009, 2009). Therefore, the main purpose of this study is to investigate risk management practices of procurement process in Victoria hospital **since risk management in healthcare is potentially more important than in any other industry.**

## **1.1 Rationale of the Study**

Procurement in an organization is charge with responsibility for obtaining the inputs required to support operation and manufacturing. The focus is multidimensional; attempting to maintain continuous supply, minimize lead-times from suppliers and inventory of materials and components and develop suppliers capable of helping the organization achieve these goals. Effective procurement of goods and services contributes to the competitive advantages of the organization. A wide range of risk events results not only financial loss but also the reputation loss, environmental loss and opportunities loss.

Myanmar as the developing country, health system strengthening is the national level strategic plan and the distribution of essential drugs and life-saving

pharmaceuticals are very important. The understanding of risk management principles and developing mitigation strategies to enhance the effectiveness in procurement would be the core value of all hospitals as the service-based organization. Therefore, this study focuses on risk management in Victoria hospital because it offers various health care packages, services and healthy behavior that enable people to lead healthier and happier lives and reduce Myanmar's disease burden.

## **1.2 Problem Statement**

At this time, procurement teams face an increasing number of complex challenges; risk management, reputation and brand image, Corporate Social Responsibility (CSR), becoming a customer of choice, center of excellence, and stakeholder engagement. Among these challenges, risk management in procurement processes is the continuing process to identify, analyze, evaluate and threat loss exposures and monitor risk control and financial resources to mitigate the adverse effects of loss. Victoria, as one of the Myanmar's largest hospitals, tries to improve its health outcomes by mobilizing the employee and utilizing the price for the medical charges to fall into acceptable range for the poor and vulnerable. In addition, since potential risks in the procurement process can have an impact on the progress of the health services, it is important to identify and assess risks in the process. Managing risks in procurement process is significant to improve experience and practice, know how to assess, and mitigate risks in Victoria Hospital. In Myanmar, most of the hospital ignores the importance risk practices and there are few studies concerning with the risk practice within the health industry. That is why; this study focuses on risk management in Victoria hospital procurement processes.

## **1.3 Research Objectives**

The objectives of the study are:

1. To identify type of risks in procurement process of Victoria Hospital.
2. To analysis the risk in procurement process of Victoria Hospital.

## **1.4 Research Questions**

The research questions of the study are:

1. What are potential risks in procurement process of Victoria Hospital?

2. How does Victoria Hospital analyze the risks in procurement process?

### **1.5 Scope of the Study**

This study focuses on the risk management practices in procurement process in Victoria private hospital. However, this study does not cover or represent the whole industry's risk management practices because it is the small-scale qualitative study, including only a small number of participants as well as the analysis is only done for the Victoria private hospital. Thus, this would make it difficult to generalise the results to the wider population.

### **1.6 Method of the Study**

This study was conducted with qualitative research approach to capture the experiences and viewpoints of the managers. Qualitative research provides “a source of well-grounded, rich descriptions and explanations of processes in identifiable local contexts” (Miles & Huberman cited in Campbell, 2009, p. 38). For this research project, an interpretive paradigm was employed. The interpretive paradigm encompasses the subjective experiences of the participants with the understanding of internal reality, the interactions with the participant and making sense of their responses by listening carefully, and using qualitative techniques to collect data, such as interviews, and analyse information, (Blanche et al., 2007). The information was gathered through primary and second data. Primary data were collected by using semi structure interview questions (see appendix) and secondary data were obtained from various books, research papers, profiles, procedures, guide, and manual of Victoria private hospital and internet websites. Two participants (Deputy Assistant Manager, Senior Purchaser) were selected by using purposive sampling method. The collected data were coded and analyzed by using thematic data analysis.

### **1.7 Organizational of the Study**

This study consists of five chapters. Chapter one contains introduction. It includes general information on risk management, rational of the study, objective if the study, scope and methods of the study and organization of the study. Chapter two provides theoretical background of risk management. Chapter three describes overview of Victoria hospital and explores procurement processes and associated risks of Victoria private hospital. Chapter four analyzes risk management of Victoria

hospital. Chapter five shows the conclusion which includes finding and discussions, suggestions and recommendation and needs for further study.

## **CHAPTER 2**

### **THEORETICAL BACKGROUND OF RISK MANAGEMENT**

This chapter focuses on the review of the various studies that have been conducted by other researchers on risk management practices and risks of procurement process. Among the areas reviewed include: definition of risk management, categories of risks, risks in procurement process, risk management process and risk management practices. Moreover, this chapter presents consequences of risks, benefit of risk and conceptual framework.

#### **2.1 Definition of Risk Management**

Risk is defined as “the probability of an unwanted outcomes happening”. Risk management is the continuing process to identify, analyze, evaluate and threat loss exposures and monitor risk control and financial resources to mitigate the adverse effects of loss. Risk management involves understanding and analyzing the nature of risk involved, identifying the possibility of the risk event occurring, calculating the impact or consequences of risk event occurring and developing options to reduce the risk (CIPS 2012).

ISO 31000 is a family of standards relating to risk management codified by the International Organization for Standardization. The purpose of ISO 31000:2009 is to provide principles and generic guidelines on risk management. ISO 31000 seeks to provide a universally recognized paradigm for practitioners and companies employing risk management processes to replace the myriad of existing standards, methodologies and paradigms that differed between industries, subject matters and regions. Risk can never be eliminated from business because it can be identified and mitigated either reducing the likelihood of the risk event’s occurring or by reducing the impact of its occurrence.

#### **2.2 Categories of Risks**

Different types of risk play a role in risk management. Various categories of risk are indicated below.



**(a) Technological Risk**

Technologies become the major role in procurement process. Making purchase orders and keeping or calculating the complex prices and data require sophisticated computers and software. However, the use of the computers and software are not a completely risk-free solution. Technology obsolescence, system or equipment failures, data and internal network corruptions, in accurate calculations, voucher processing, predictions and system not responding due to human error can cause in everyday working environment.

**(b) Organizational Risk**

Organizational risk involves how many steps are needed to make the decision-making process of the procurement process. Authority signing delay, vague decision making are the major factors that can slow down the process of procurement. Organizational risks also include, transferring wrong information from department to department, superior intervene upon the processes and organization policies itself.

**(c) Market Risk**

In the hospital industry, their market mainly involves pharmacy, medical equipment supplying industries. And the risks of such industries are external factors changing overtime such as price changing in medicine, medical technology advancement, brand substitutions, higher demand by competitors and growing supplier power. These facts cannot be changed or control by the organization. However, it can adopt and prevent with the best possible solution.

**(d) Financial Risk**

Financial risks contain the risks of exchange rate while purchasing, internally budget allocations for the procuring items, financial structure of the business as well as the cost of unnecessary procurement items. Such risks can prevent or control by detail calculation and prediction of the costs of procurement. If it fails to handle well, the organization reputation will be decreased among its stake holders and suppliers.

**(e) Supplier Risk**

Supplier risk is the important threat of the organization procurement process. Supplier risk can delay the procurement process and trigger lot of complain from

customer due to delay of the services. Such risks include the transportation delay, products delivery or brand mismatch with order, delivered size or quantity mismatch with order, price mismatch.

**Table 2.1 Supplier Risks**

<b>Risk Categories</b>	<b>Composition of risks</b>
Risks associated with suppliers	Delivery
	Prices
	Non-delivery/Short-delivery
	Poor-quality and mismatch quantity
Risks associated with transport	Damage of goods in transit
	Loss of goods in transit

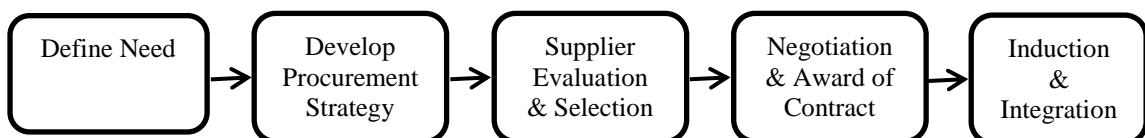
Source: Vikulov and Butrin, 2014, P-45

Table 2.1 provides the supplier risk categories and composition of risks. Logistics and mismatching of products, brands and quantities are the functional domains with the highest incidence of risks from supplier. For a buying firm to be able to compete in its respective market, it must be ensuring that the organization received its competitive advantages with the effective risk management.

### 2.3 Risks in Procurement Process

It is essential to study procurement process which is directly related with risk management. Procurement process comprises all of the procurement activities that typically take place from the initial identification of a need to the final satisfaction of that need.

**Figure 2.1 Procurement Process**



Source: Loughlin (2018), Procurement Best Practices: Procurement Process

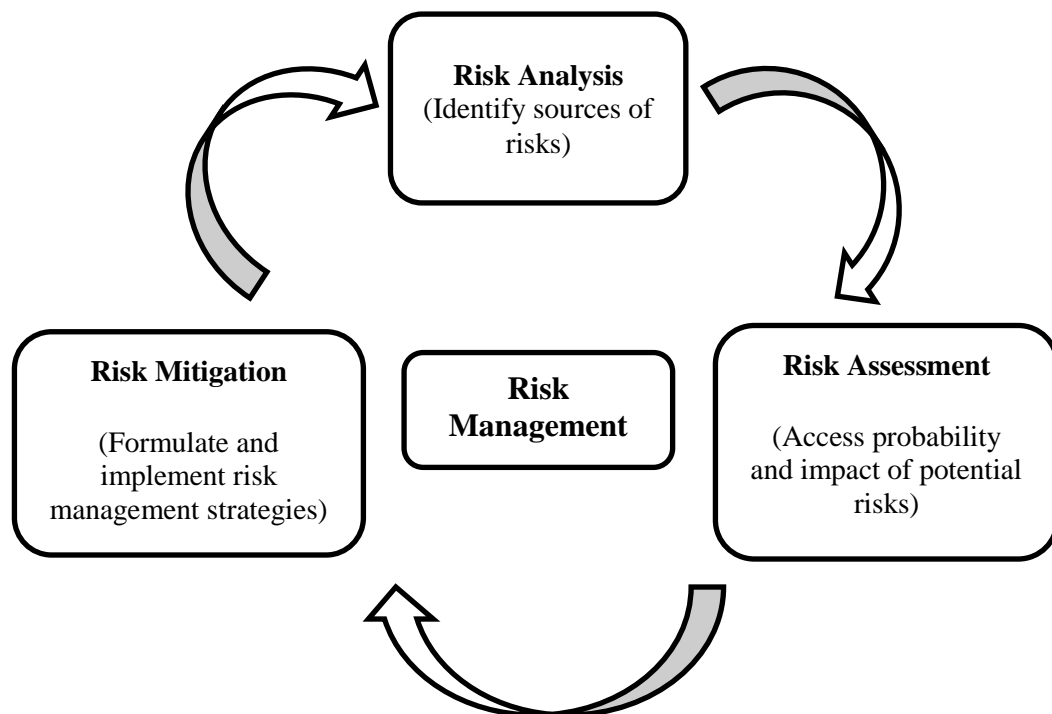
According to the above Figure 2.1, the procurement process includes: Need, Develop Procurement Strategy, Supplier Evaluation and Selection, Negotiation and

Award of Contract and Induction and Integration. A key factor in achieving efficiency and effectiveness in this area is the successful risk management. Developing a formal and structured risk management capability for procurement is an outstanding way to do just that (Olsha, 2010).

## 2.4 The Risk Management Process

Risk management involves three key activities: risk analysis, risk assessment and risk mitigation all of which facilitate the taking of decisions and actions to control risk appropriately by providing a disciplined and objective approach (CIPS-2012). Figure 2.2 shows risk management cycle as an expression of continuous process of risk monitoring and management portrayed as a cycle.

**Figure 2.2 Risk Management Cycle**



Source: Managing Risk in Supply Chain Pg-42 (CIPS-2012)

Figure 2.2 shows Risk Management process with three key elements: risk analysis (identify sources of risks), risk assessment (access probability and impact of potential risks), risk mitigation (formulate and implement risk management strategies).

### 2.4.1 Risk Analysis

Risk analysis is the process of identifying all the potential things that can go wrong with an activity, and then estimating the probability of each happening. Risk analysis is part of the strategy development process. When a need is identified, a strategy is developed having taken into account all relevant commercial issues, such as specification, supply market and finance. A risk analysis methodology allows all the risks to be identified and objectively assessed. The purchaser can then decide on an appropriate sourcing strategy. Once the sourcing strategy is decided, the contract strategy can then be formulated – it is at this stage that a decision of whether a risk/reward type contract is appropriate (CIPS-2012).

### 2.4.2 Risk Assessment

This is the process of accessing the likely impact of a risk on the organization. Highly predictable risks may have low impact and therefore it is possibly not worth taking any action to control or avoid risk. On the other hand, low probability risks can have a significant impact and some form of action may be demanded “just in case”. It may be that some risks are not very easily controlled or managed.

The process of risk assessment is not all encompassing as there is usually a degree of uncertainty. This uncertainty increases as the probability of the unwanted outcome reduces. Uncertainty can be addressed by “sensitivity analysis”. It is often quantified using the basic formula; Risk = Likelihood (Probability) x Impact (adverse consequence). Also risk assessment can be performed by using matrix or risk map as below. (CIPS-2012)

**Figure 2.3 Risk Assessment Grids**

		Impact/effect on organization		
		Low	High	
Likelihood of occurrence	A		B	Low
	C		D	High

Source: Managing Risk in Supply Chain Pg-25 (CIPS-2012)

- (a) Segment-A will contain events which are not likely to happen and would have little effect if it happen. Given the low level impact, the organization can safely ignore such factors as low priority.
- (b) Segment-B will contain events which are relatively likely to occur, but will not have a major effect. The appropriate resource is to monitor such factors, in case the situation changes and impact may be greater than expected.
- (c) Segment-C will contain events which are not likely to happen but will have a big impact if they happen. Failures of suppliers of critical requirement, or natural disasters (such as earthquake or tsunami, in areas bot generally prone to such events) are some of the events. The appropriate response is to draw up a contingency plan to minimize the impact.
- (d) Segment-D will contain events which are both likely to happen and serious in their impact. The appropriate response is to respond to the perceived threat or opportunity, including it in strategic analysis and planning.

### **2.4.3 Risk Mitigation**

Having assessed all the risk and identified those that required action, plan and need to be drawn up and responsibilities assigned to control and mitigate these risks. Risks then should be allocated an owner, who is responsible for managing them, possibly with the help of other team members.

The allocation of risk should be dependent on the assessment of the likelihood and consequence of the risk and then the identification of who is best able to control or manage the risk. Risk mitigation is the process of developing options and actions to enhance opportunities and reduce threats. Table 2.2 shows risk mitigation strategies from a flexibility perspective.

**Table 2.2 Risk Mitigation Strategies**

<b>Mitigation Strategies</b>	<b>Example</b>	<b>Objective &amp; Advantages</b>	<b>Difficulties &amp;Disadvantage</b>	<b>Related Risk events</b>	<b>References</b>
<b>Avoidance</b>	-Avoiding /leaving certain regions, markets, suppliers, or products	-Reduce probability of risk event occurrence by eliminating its causes	-Opportunity costs -Less options	Uncontrollable risk events	Jüttner et al. (2003), Manuj and Mentzer (2008a, 2008b)
<b>Transferring/ Sharing Risk</b>	-Outsourcing -Offshoring -Contracts that take into account changes in the environment	-Shift /transfer risk to other organization, e.g. insurance companies, suppliers (just-in-time deliveries), and customers (make-to-order manufacturing)	-Transferring or sharing risk does not necessarily entail attempting to reduce probabilities or impacts of risk events	Not specified	Norrman and Jansson (2004,p.439), Manuj et al. (2007), Waters (2007, p.154) Manuj and Mentzer (2008a,p.143; 2008b,p.209)

<b>Flexibility</b>	-Flexible resources and inputs -Diversification of sourcing options, locations and products	-Increase speed of response -Reduce risk exposure -Take advantage of different scenarios	-Consider trade-off between benefits of flexibility and costs, i.e. how much flexibility is valuable	All types	Jüttner et al. (2003,p.207),S heffi and Rice (2005, p. 43), Tang and Tomlin (2008, pp. 15-17), Sodhi and Tang (2012, p. 53)
<b>Control</b>	-Vertical integration -Contractual requirements on suppliers -Retaining ownership and control over offshored operations	-Reducing uncertainties through increased control	-Vertical integration changes variable costs into fixed costs	Supply risks, such as supplier opportunism and dependency	Jüttner et al. (2003), Manuj and Mentzer (2008a, 2008b)

Sources: Risk management in global supply chain (2012)

## 2.5 Procurement Risk Management Practices

Procurement risk exists for an organization “when supply market behavior, and the organization’s dealings with suppliers, creates outcomes that harm company reputation, capability, operational integrity and financial viability” (Russill, 2008). Olsha (2010) identifies these procurement risks as; a company’s dependence on a supplier, unanticipated price volatility through currency exchange rates, supplier bankruptcy legal/regulatory issues and supplier dependency on a company. Procurement risk management practices are the measures taken including changes to behaviors, procedures, and controls that minimize procurement risk or reduce them to an acceptable level (Russill, 2008).

Effective procurement risk management practice requires an understanding of the relationship between procurement and organizational objectives (Dockeary & Lacy, 2013). The risk management framework applies to procurement involves Risk Analysis, Risk Assessment, and Risk Mitigation. The procurement risk management practices include;

### **2.5.1 Multiple Sourcing Practices**

Treleven (1987) defines multiple sourcing as purchasing from two or more vendors an identical good or service. Pochard (2003) indicated that multiple sourcing is often cited as a possible solution to protect against “disruption in supply”. Protection the buyer during times of shortages or other emergencies provide a back-up source, maintain competition, keeping a market feeling, avoiding complacency on the part of a single supplier and meeting customer’s volume requirement. Key procurement process indicators include; responsiveness, time between order placing and fulfillment and option of back orders.

### **2.5.2 Developing a Procurement Strategy Practices**

Accenture (2010) defines a procurement strategy as a plan or process developed to ensure procurement is designed to attract the strongest possible field of tenders for services, goods and products. It sets out to identify the effective means of procuring services to achieve commissioning requirements through developing a procurement plan, ensuring procurement supports delivery of vision and enabling creative approaches to procurement. Njuguna (2013) indicated that organization should seek to have a strategic approach to procurement; this enhances effectiveness and efficiency in an organization’s operations as well as saving revenue through effective sourcing, transaction cost reduction and standardized procurement processes.

### **2.5.3 The Practice of Regular Negotiation and Contract with Suppliers**

Regularly negotiating transactions can lead to satisfaction or dissatisfaction with the relationship on the part of the supplier and the business buyer. One of the strategies to achieve this is by regularly negotiation with suppliers. Suppliers can exercise a great deal of bargaining power in an industry by threatening to raise prices or reducing the quality of products. This power in turn squeezes profitability out of an industry if it is unable to recover these cost increases from its pricing (Kamande,



2010). Regular negotiation would enable the organization manage their costs, maintain profitability and guard against effects of currency fluctuation and obsolescence. Accenture (2010) indicates that integrating risk sharing in the contract is an effective risk management strategy in procurement. In a contract issue is mostly related to a warranties or guarantees due to delays etc. Key procurement process indicators include; responsiveness, time between order placing and fulfillment and delivery accuracy.

## 2.6 Consequences of Risks

According to the Cambridge Advanced Learner’s Dictionary (2008) risk is defined as the probability of something bad happening. Risk may also be understood as ‘something happening that may have an impact on the achievement of objectives; It includes risk as an opportunity, as well as a threat’ (NAO, 2000, p. 1). A broader definition distinguishes between different sources for the risk to occur, as risk is resulting from the direct and indirect adverse consequences of outcomes and events that were not accounted for or that were ill prepared for and concerns their effects on individuals, firms or society at large. It can result from many reasons both internally included and occurring externally, with their effects felt internally (Kogan & Tapiero, 2007, P-378). Key types of risks and consequences or losses can be summarized as below.

**Table 2.3 Types of Risk and Consequences**

Sr. No	Types of Risk	Consequences	
		Initial Effect	Ultimate Effect
1	Quality Problem	Product recall - customer defection	Financial losses
2	Environmental Pollution	Bad publicity – customer dissatisfaction and defection, court action, fines	Financial losses
3	Health and Safety Injury	Bad publicity – worker compensation claims, workforce dissatisfaction, statutory fines	Human suffering, Financial losses

4	Fire Outbreak	Harm to humans – loss of production and assets	Human suffering, Financial losses
5	Computer Failure	Inability to take orders, process work or issue invoices, customer defection	Financial losses
6	Marketing Risks	Revenue drops	Financial losses
7	Fraud	Theft of money	Financial losses
8	Security	Theft of money, assets or plans	Financial losses
9	Political Risks	Foreign government appropriation of assets – prevents repatriation of profits	Financial losses
10	Forecasting Risks	Insufficient quantity	Financial losses, Reputation losses

Source: Managing Risk in Supply Chain, (CIPS-2012)

## 2.7 Benefits of Risk Management

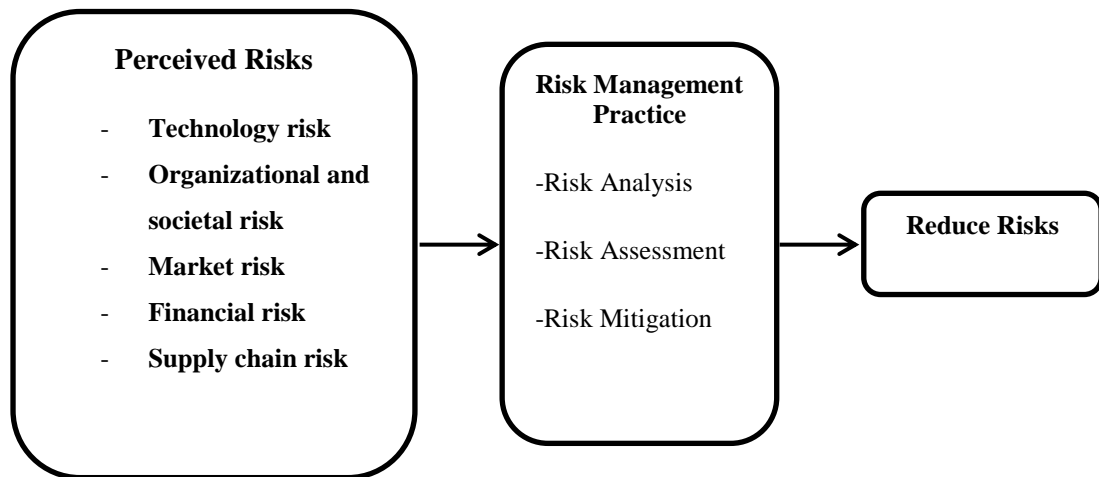
Effective management of risk helps to manage innovation and improve performance by contributing to:

- Increased certainty and fewer surprises
- Better service delivery
- More effective management of change
- More efficient use of resources
- Better management at all levels through improved decision making
- Reduced waste
- Innovation
- Management of contingent and maintenance activities

## 2.8 Conceptual Framework

The literature review confirms that a lot has been done on procurement risk management practices and its benefits to the organization. Figure 2.4 shows the effect of procurement risk management practices of an organization.

**Figure 2.4 Conceptual Framework**



Source: Own Compilation

All procurements contain risks that may impact on their progress, therefore it is important to identify and assess risks in the present. By managing risks in procurement process that are improved experience and practice, and are known how to analysis, assess and reduce risks in Victoria hospital. The next chapter presents the procurement processes of the Victoria hospital.

# CHAPTER 3

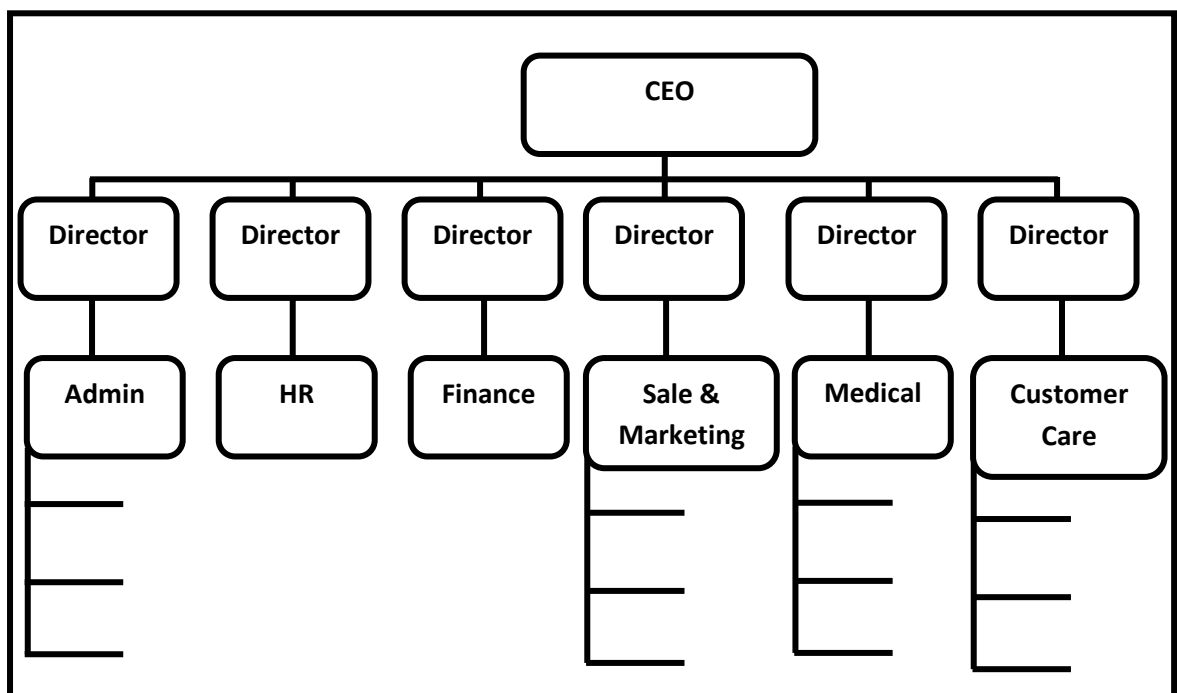
## PROCUREMENT PROCESS OF VICTORIA HOSPITAL

This chapter emphasizes to explore how the company is performing their procurement processes and the risks during its processes. This chapter includes the following two sections, Profile of the Company and procurement process by the Victoria hospital.

### 3.1 Profile of the Company

Victoria hospital was established on May 2nd, 2011 and was registered as a general hospital by Thukha Saytana Company Limited. This hospital become one of the Myanmar's most advanced largest and famous hospitals in Myanmar. Unlike the other hospitals, this hospital has large compound area and it also have the specialize vascular treatment facility within its compound as well as small parks for patient's rehabilitation. The Victoria hospital is currently operating with the man power about 800 workforces. As it is the large hospital, the procurement process performs every day is fairly large. The company is currently lead by a female CEO with six main departments lead by the directors. The following Figure 3.1 shows the organization structure of the Victoria hospital.

**Figure 3.1 Organization Structure of Victoria Hospital**

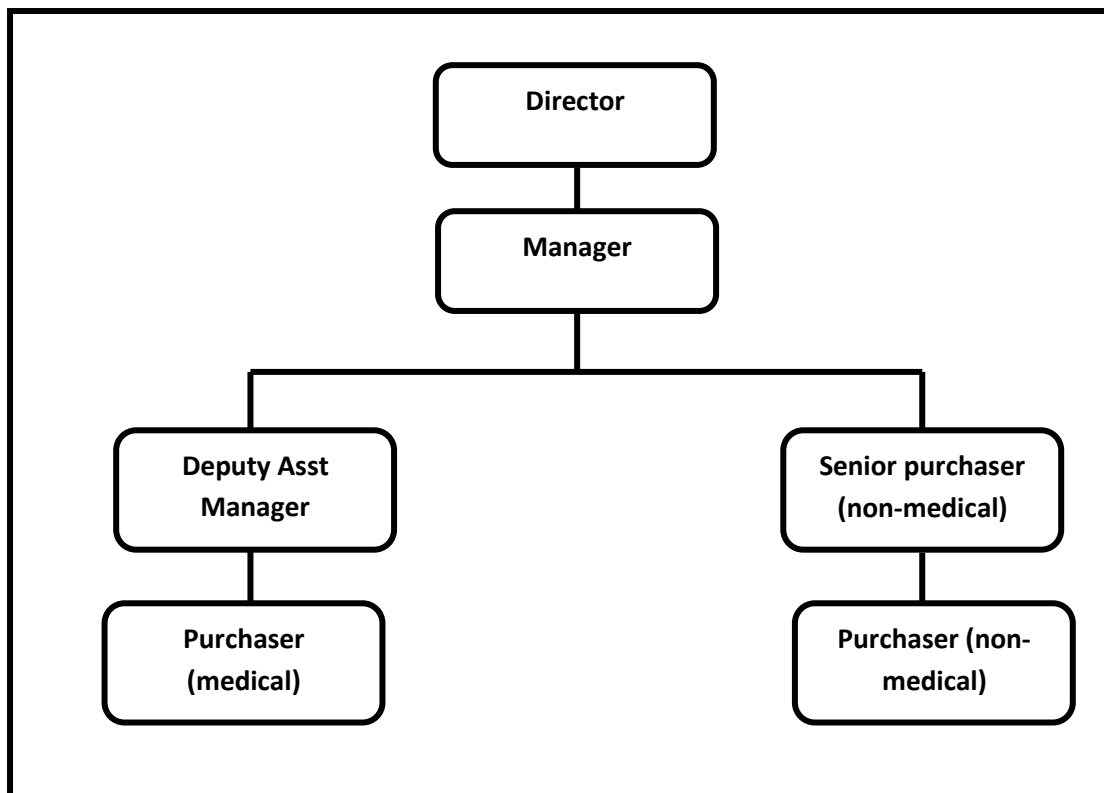


Sources: Victoria Hospital (2017-2018)

### 3.1.1 Organization Structure of Procurement department

The hospital's procurement department structure is composing as a tall structure and lead by a director of hospital. The strange point of the hospital is that each department is led by a director of the organization. The following Figure 3.2 shows the organizational structure of procurement department.

**Figure 3.2 Organization Structure of Procurement Department of Victoria Hospital**



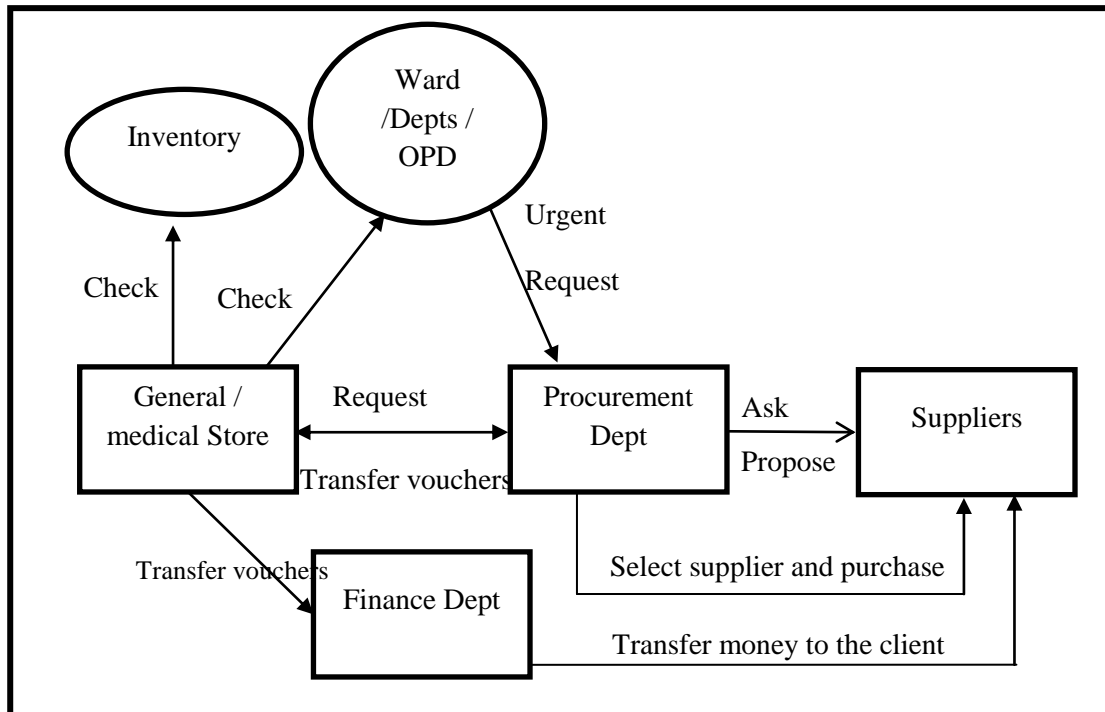
Sources: Victoria Hospital (2017-2018)

There are 4 levels of management chain within the department. They are director, senior purchaser, deputy assistant manager. Under the deputy assistant manager and senior purchaser there are purchasers for final purchasing. Both deputy assistant manager and senior purchaser have different role in purchasing medical and non-medial. Non-medical procurement involves the process of procuring the things which are not relating with the medical such as IT equipment, foods and furniture while the medical procurement involves the procuring of medicines and medical equipment.

### 3.2 Procurement Process of Victoria Hospital

The procurement process of the Victoria Hospital is interwind between three internal departments, the procurement department, the store department and the finance department. The following figure illustrates the process of the procurement department when procuring items.

**Figure 3.3 Procurement Process of Victoria Hospital**



Sources: Victoria Hospital (2017-2018)

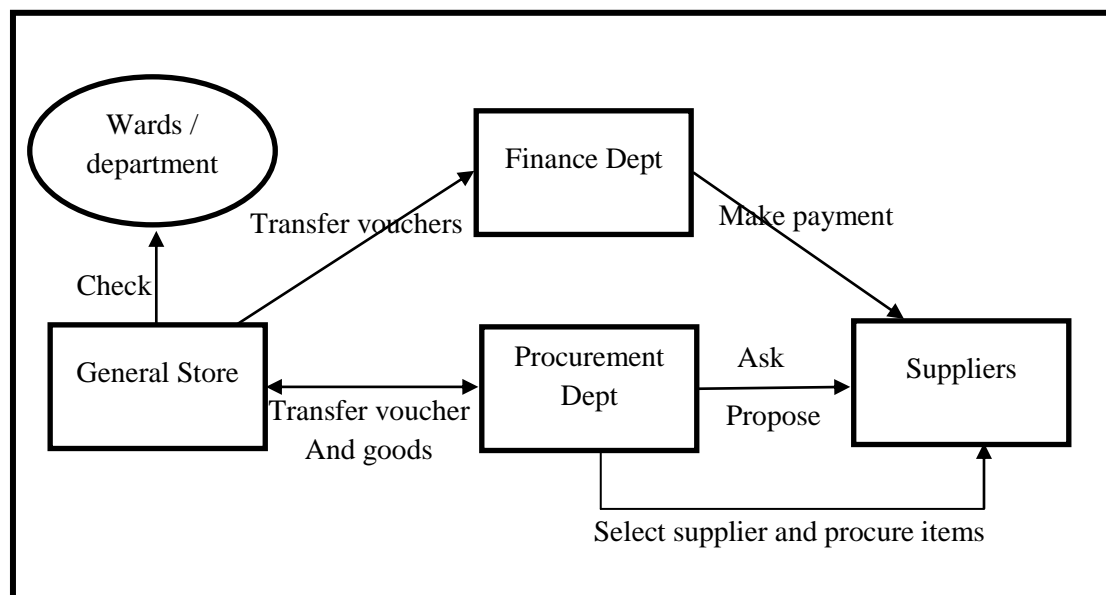
The procurement process of the Victoria hospital can be divided into two main parts, non-medical and medical procurement. Each part is responsible by different assistant manager and senior purchaser. As shown in the figure, the store department makes routine check to its inventory level as well as ward to keep update of the stock level. If the stock level become low, store inform the procurement department to their respective senior purchaser or deputy assistant manager to make procurement. However, in some case, ward directly makes the request the procurement department for urgent requirement. If the request is receiving by the procurement department, the procurement department asks suppliers to submit their offer for the requirement. The procurement department then selects the appropriate supplier and requests the finance department to issue money to make purchasing process. The most procure items of

Victoria hospital are medicines, medical equipment and medical related machine. The others are furniture, food items, IT equipment, garbage can, plastic items, stationary, and kitchen accessories. Most of the time, the company get its supply from the main supplier connecting with them. However, if there is a new supplier willing to offer goods for the hospital, the procurement department saves the catalogue of goods and order to them if necessary. When procuring the furniture, the company contacts the big supplier such as sweet-home by requesting or sending the picture of furniture want to procure by using mobile application such as “Viber”. For making procurement, there are 10 main suppliers that the hospital connected. The list is reviewed once in every year to change the main supplier of the hospital.

### 3.2.1 Non-Medical Procurement

Non-medical procurement refers to the procuring of non-medical related items such as IT equipment, chairs for doctors, food items and so forth. Non-medical procurements are responsible by the senior purchaser of the procurement department.

**Figure 3.4 Non-Medical Procurement Process of Victoria Hospital**



Sources: Victoria Hospital (2017-2018)

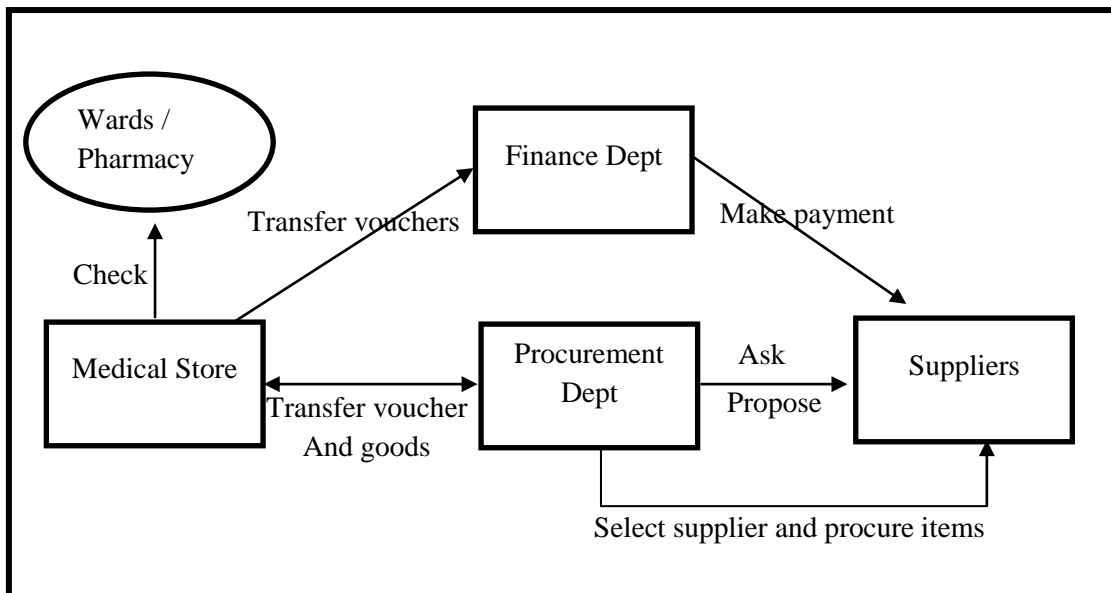
Non-medical procurement is responsible for procuring the furniture, food items for doctors, stationary and IT equipment. It is responsible by the senior purchaser to make procurement. For the non-medical procurement, the most procuring items are stationary while the furniture and IT equipment are rarely procuring only on

demand. A non-medical procurement also includes procuring food items for doctors' treatment. The food item is the second most procuring item for the non-medical procurement part. As for the process, the procurement department come into action when the inventory or store department relay a message to the procurement department that an item is need for the hospital, then the procurement department ask the supplier to submit proposals for the require items. The procurement department then analyze the proposals, determined the best offer and start procuring.

### 3.2.2 Medical Procurement

Medical procurement refers to the procuring of medical related items including medical equipment, medicine and other medical related accessories. Medical procurements are responsible by the deputy assistant manager of the procurement department.

**Figure 3.5 Medical Procurement Process of Victoria Hospital**



Sources: Victoria Hospital (2017-2018)

The other part of procurement, medical procurement, mainly includes procuring the medicine as well as medical equipment and other medical related accessories. Medical procurement is responsible for the procuring medical items including the cotton, medicine and other medical equipment. The medical procurement is responsible by the deputy assistant manager. The procurement process is very similar to that of non-medical procurement process. When the store informs



that a low of medicine in hospital or in need of medical equipment, the procurement department contact with the suppliers and ask to submit the proposal. The procurement department then chooses the best offer among the submitted proposal and start procuring. However, there is one more step that the procurement department does, the quality assurance, where the department needs to assure the quality of the product that the supplier is going to supply. This is extremely important when procuring the medical equipment for the hospital to use for patients.

### **3.2.3 The Role of Store Department in Procurement process**

The store department has the responsibility to store the goods that are procured from the procurement department. The store department is divided into two divisions, medical and non-medical store divisions where medical division store all the medical related goods and accessories while non-medical store division store goods that are used in general purpose. Normally, in most of the developed nation, a company's store systems are used with IT. The Enterprise Resource Planning Software (ERP) system allowed user to aware the bottom line stock level and reorder automatically if necessary.

However, in Victoria private hospital, the store system is done manually. The store department of Victoria private hospital has two main responsibilities, rechecking the stocks as routines tasks and processing the vouchers. For the first part, the store department needs to check the stocks of both divisions, medical and non-medical. The store has the authority to make order for non-medical items, which is needed in the ward or other departments, within the first fifteen days of the month. After that, the procurement department will not accept any order for non-medical items from the store. For the medical items, the store needs to check the stock level twice a week and then reorder if necessary. Procurement department allow medical items to reorder for the whole month and first fifteen days to reorder non-medical items.

The second part of the store department responsibility is the processing voucher. After the store department asks to purchase order the procurement department, the store department then need to list the items procure from the procurement department and make the goods receive. Store department then receive the vouchers from the procurement department for the buying items and transfer it the finance department to make payment to the suppliers.

### **3.2.4 The Role of Finance Department in Procurement process**

The finance department involves two main roles and responsibilities for procuring the process of both medical and non-medical items. The first is the issuing the budget for the medical items to procure and the second is the payment toward the suppliers. For the first part, the finance department need to ensure the total budget allowed for the procurement process and issues the allowed money to the procurement department to calculate the range of spend. However, in emergency case, the procurement department is allowed to over spend the issued budget.

The second part of the finance department responsibility is that to make payment to their supplier. When the store department receives the goods and transfer vouchers to the finance department, the finance department is responsible to make the payment to the supplier that the procurement department purchase.

In conclusion, the procurement department is working together with other two departments, store and finance and it is responsible for searching, contacting, procuring items and dealing with suppliers and sometime handling the complaint from the hospital customer concerning with medical items. In the next chapter, the data collected will be analyze with thematic analysis to understand the perceptive of the employee, current risks of procurement processes and how the hospital's procurement department is handle the risks.

## **CHAPTER 4**

### **RESEARCH METHODOLOGY**

This chapter presents the analysis upon the finding and interviews from the two participants of the procurement department from the Victoria Hospital, Myanmar. The finding and interview data are grouped and coded into specific themes. And this chapter also presents the detail phrases extracted from the answers of participants via recording files during interviews.

#### **4.1 Research Design**

A research design is a framework that has been created to find answers to research questions. It includes set of methods and procedures used in collecting and analyzing measures of the variables specified in the research problem research. Research design deals with a logical problem and not a logistical problem (Yin, 1989). As for the research approach, qualitative approach was used because this type of research "refers to the meanings, concepts definitions, characteristics, metaphors, symbols, and description of things" and not to their "counts or measures". Thus, qualitative research was used in this study to explore deeply as well as to capture the perceptives of the employees.

#### **4.2 Research Method**

In this study, the qualitative research approach is used. Two types of data, primary and secondary data were gathered via interviews and observing from the references such as books, company's data, journal, articles. Primary data were gathered from direct interview of the company's employee and secondary data gathered from references. The interviews were conducted several times with the respective company's employee to collect the various perceptives and condition of the hospital as well as the risk management practices. The data gathered were analyzed by using thematic analysis to find out what is going on with the risk management practices of the Victoria Hospital.

### **4.3 Population and Sample**

This research used purposeful sampling method because this study attempts to collect the data of procurement department in a Victoria hospital and participants were selected based on pre-selected criteria based on the research question. Two participants (assistance manager and senior purchaser) were selected by using purposive sampling method for interview purpose.

### **4.4 Instrumentation of Research Questionnaires**

In this research, questions for interviews were developed to gather qualitative textual data. The interview questions were open-ended interview questions to gather richer data than what's provided from simple yes/no answers. And open-ended questions allow to find than anticipated as well as to reveal surprising perceptive, problem solving strategies and so forth. This study conducted interview for three times and each time, the interview questions were amended based on the requirements of the previous interview for further insight of the risk management practices of the procurement process of Victoria Hospital.

### **4.5 Data Analysis**

This study used the six phases thematic analysis by using patterns and themes within qualitative data (Braun & Clarke, 2006). Moreover, thematic analysis is a method rather than a methodology (Braun & Clarke 2006; Clarke & Braun, 2013). This means that, unlike many qualitative methodologies, it is not tied to a particular epistemological or theoretical perspective.

The goal of a thematic analysis is to identify themes, i.e. patterns in the data that are important or interesting, and use these themes to address the research or say something about an issue. This is much more than simply summarizing the data; a good thematic analysis interprets and makes sense of it. A common pitfall is to use the main interview questions as the themes (Clarke & Braun, 2013). Typically, this reflects the fact that the data have been summarized and organized, rather than analyzed.

Phase one of the thematic analysis is to familiarize the data that are collected. It includes required active reading to search for patterns and meanings in the interviews. By transcribing the audio recordings from the interviews, it allowed for

initial familiarization with the data. And this phase is regarded as “the key phase of data analysis” (Bird, 2005, cited in Braun & Clarke, 2006, p. 17). Phase two includes coding the finding where initial codes were generated to identify features of the data which were noteworthy and the data was organized into meaningful groups. The third phase, includes sorting of the codes into potential themes. It is this stage where the interpretivist nature of the research occurred (Braun & Clarke, 2006).

The fourth phase is to refine and review the themes that are emerging at third phase. In this phase, refining the theme setting is mainly performed. During this stage it was apparent some themes did not contain enough data, and some of the themes could be combined to create one overarching theme. The phase five involve naming the theme and extracting the data for explanation why the data are relevant and interesting. In final phase, the final analysis is conducted. To define the theme and perspective, the content analysis use to find the perspective which are repeat or overlap multiple times. As the results, the potential themes are emerged to indicate the problems that are faced within the procurement department.

According to the data, Victoria hospital’s procurement department does not proactively conduct the risk management practices such as identifying the sources of risks before anything happen. Most of the time, the company searches for the solutions only when the incidents are occurred. There is no surveying process or brainstorming sections for risk management practices to prevent accidents from happening. Therefore, such lack of identifying the sources of risks cause the problems and slow the process of the procurements. The following Table 4.1 presents the initial findings extracted from the interviewed data obtains from the two participants, participant A- “Deputy Assistant Manager” and participant B “Senior Purchaser”.

**Table 4.1 Initial Findings Identified from Interviewed Analysis**

<b>Problems</b>	<b>Impact</b>	<b>Problem Solving Methods</b>
Technology problems	Finance	Pushing and forceful
Organizational problems	Staff	Preparation
Financial problems	Supplier	Analyzing the past data and current condition
Supplier problems	Service	Getting Suggestions
Market problems	Reputation	Setting up the routine procedures
Human related problems		Distributing responsibilities
		Immediate response

Source: Victoria Hospital (2017-2018)

The above table presents the findings that are identified from the interviewed data. According to the finding data, there are total of three major themes emerged as follow

- Problems
- Impact
- Problem-solving methods

These three themes will be discussed detail in the following sections with the perceptive from the employees of the procurement department.

#### **4.6 Theme 1: Problems**

The result of the analyzing and coding the interviewed data found that there are several problems associated with the procurement process of the Victoria hospital which can be grouped into theme 1: problems. The sub themes of the theme 1: problems are presented in Table 4.2.

**Table 4.2 Theme 1: Problems and Sub Themes**

<b>Main Theme</b>	<b>Sub Themes</b>
<b>Problems</b>	Technology problems
	Organizational problems
	Financial problems
	Supplier problems
	Market problems
	Human related problems

Source: Victoria Hospital (2017-2018)

According to the analyzing results, there are total of 6 sub themes which can be grouped into main theme “Problems”. The detail of the themes and sub themes, including the interviewee’s feedback are presented in the following sections.

#### **4.6.1 Technology Problems**

In the interview, the two participants mentioned the problems of the current technologies’ which are used in the Victoria hospital. The two participants were asked about the kind of systems used in the hospital and risks associated with it. The following phrases are extracted from the interview recording file with two participants.

*“Yes... we used standalone software for the procurement department which is connected through Local Area Network (LAN) to other systems. Most of the errors are occurred due to the data entry incorrect. The system itself is not very error prone in nature” (Participant A)*

*“But sometime it goes wrong when the vouchers are received. It is because of the internal calculation of the computer and the purchase order and voucher received are not match each other when it should be” (Participant B)*

As the result, the hospital used Local Area Network (LAN) to connect the standalone software with other systems and most of the problems are occurred due to the data entry. There are sometimes that the software goes wrong which results the mismatch of the purchase order and vouchers that are received.

#### **4.6.2 Organizational Problems**

The two participants highlighted the problems of the current condition of the organization and problems when the question “*what are the organization problems and what kind of empowerment do you have within the organization and how much your superior involve in the procurement process*”. The following phrases are extracted from the interview recording file with two participants.

*“We can make the decisions ourselves to make the procurement processes. We are empowered enough to make decisions. We just need to report the processes to our superiors and make them sign and hear our notification of current condition. They don’t interrupt much in the procurement processes.” (Participant A)*

*“There is a waiting time for signature processes. In this hospital, to get the budget to make purchase, there is a need of three superior signatures, Procurement manager, Finance manager and General manager. When there is a time that is stuck to get a sign from one superior, the budget processes become delayed and as consequences, the purchase and payment processes delayed” (Participant B)*

According to the two participants, they have enough power to control the procurement process. However, there is a problem for waiting signature from the superior for financing the procurement. When such kinds of problem emerge, the payment and purchasing process become delay.

#### **4.6.3 Financial Problems**

Regarding with the problems associated with the finance, the two participants were asked with the questions “*What are the difficulties facing with the finance*”. The following phrases are extracted from the interview recording file with two participants.

*“The annual budget we received is a document rather than cash. And we have the patty cash to buy the emergency things. We have two separate budges for pharmacy procurement and general procurement. We annually estimate the budget by calculating the selling power from pharmacy and buying pattern of general things” (Participant A)*



*“That petty cash we received is not enough for emergency buying. We have debts to our suppliers. Moreover, we need to wait about a week if something goes wrong with the finance department” (Participant B)*

According to the participants, the budget is coming out as a document rather than transferring as the cash to the department. This means that, all the procurement processes related to the financial activity is controlled by the finance department. Moreover, the issued with petty cash is not enough for buying emergency things which make the company to have debts to suppliers. Also, the financial department’s working procedure take about a week to fix an error which can delay the procurement process.

#### **4.6.4 Supplier Problems**

The two participants were asked the questions, *“What are the problems associated with the supplier”* regarding with the problems of suppliers. The following phrases are extracted from the interview recording file with two participants.

*“There is expire problem associated with supplier when it comes to pharmacy procurement. Different suppliers have different policies on returning expire items. Some supplier accepts the return of expire goods while other don’t. We need to be very careful about that” (Participant A)*

*“Suppliers sometime deliver different brands from what we order. Sometime their logistic system delay and the goods are arrived out of schedule. Sometime damage goods are involved when we checked the delivered items. Sometime the package size and quantity of the delivered goods are mismatch with what we order” (Participant B)*

According to the two participants, there are several problems associated with the suppliers. One is the mismatch deliver good’s package size, brand and quantity and the other is the expire problem. Participant A state that expire problems mostly occur when procuring the pharmacy. There are also suppliers who accept to return expire goods as well as the supplier who don’t accept at all.

#### **4.6.5 Market Problems**

Markets become the important aspect of procurement processes. The two participants were asked about the market condition with the question, *“What are the*

*market changes affect the procurement process*". The following phrases are extracted from the interview recording file with two participants.

*"Market is always changing especially for the pharmacy industry. We definitely have the impact from changing the market conditions and trends such as obsolete brands and types of pharmacy or lower supply from medicine manufacturers."* (Participant A)

*"We sometime encounter the break of products within the market. When it is happened, we need to purchase the goods with much higher price. It is better to know it beforehand"* (Participant B)

According to the two participants, there are several problems associated with the market. As Victoria is the hospital, the pharmacy market is their major concern. Participant A stated that the market condition is always changing and sometime the brands and type of pharmacy are obsolete have impact on their procurement processes. Participant B stated that they have to purchase the goods with much higher price when the products are run out within the market.

#### **4.6.6 Human Related Problems**

Human related problems are happening in every company all over the world. To find out the human related problems for the procurement processes, the question, *"How many errors exist due to human mistake"*, to the two participants. The following phrases are extracted from the interview recording file with two participants.

*"Most of the time, the error is happened in the data entry processes. As for us, there are almost a thousand vouchers and purchase order that need to enter within a month. That is why most of the errors are happening at that stage"* (Participant A)

*"We have the procedure of checking the delivered items in the store and then send the lists and documents to the finance department. Sometime, errors can be found on the checking process such as miscounting the quantity of the goods delivered and report them to the finance or procurement department"* (Participant B)

According to the two participants, most of the human error happens in the typing and data entry process of the software that is used in the procurement department because they are typing a lot of vouchers and purchase order in a month. And there is also

human mistake in the checking process of the delivered items at store which can slow down the payment process and inefficient procurement process.

#### 4.7 Theme 2: Impact

Every problem has its impact and effect to respective sector. In Victoria hospital, due to lack of identifying the sources of the problems and its reactive nature, the problems that are mentioned in the above section impact on certain areas and stakeholder within the organization.

**Table 4.3 Theme 2: Impact and Sub Themes**

Main Theme	Sub Themes
Impact	Finance
	Staff
	Supplier
	Service
	Reputation

Source: Victoria Hospital (2017-2018)

According to the analyzing result and interviewed data, there are total of 5 sub themes which can be grouped into main theme “Impact”. The detail of the themes and sub themes, including the interviewee’s feedback are presents in the following sections.

##### 4.7.1 Impact on Finance

According to the results of the interview from two participants, several problems are affecting the finance of organization. The following phrases are extracted from the interview recording file with two participants.

*“Sometime we need to take care of the damage items when it cannot deliver back to the supplier. And sometime we need to make additional order from separate supplier due to the original supplier’s slow logistic system” (Participant A)*

The participant A state that they need to take care of the items that are damage during transporting when in the situation that the suppliers are not accept back. That situation wastes the budget of organization and affects the finance due to supplier. Moreover,

when the supplier slows their logistic system, the organization needs to order to another supplier for same additional goods which cost double budget.

*“There are times that we made mistake when making data entry to the software system and procuring wrong items. Software errors are happening when data input wrong. And frequently visiting software engineer to fix software errors also cost” (Participant B)*

Participant B answered that due to data entry error, unnecessary items are procuring sometime. There are also software errors due to data input mistake which lead to visit software engineer frequently which cause unnecessary cost for organization.

#### **4.7.2 Impact on Staff**

The interview reveals that some problems are causing employee to have certain workload and errors during the procurement process. The following phrases are extracted from the interview recording file with two participants.

*“We, procurement department staff sometime need to explain the patients or customer complain due to lack of medicine or equipment. Lack of medicine or equipment is usually from the impact of market condition. Sometime, we need to apologize the supplier in case of payment delay” (Participant A)*

The participant A answered that they need to explain to patients and customer due to lack of medicine and medical equipment because of market problems. They also need to apologize the supplier for the payment delay because of finance problems. This put significant amount for employee of the procurement department.

*“When the suppliers are denied to receive the expire items, we need to make extra document that list down such items. We need to check again the vouchers, purchase order if the specifications are mismatch with what we order and delivered. And usually we need to type about a thousand vouchers within a month” (Participant B)*

Participant B answered expire items that cannot be returned need to make extra list and documents. And they need to check again and again when the specifications are mismatch from ordering and delivering due to supplier error when checking in the store. And they need to make entry for about a thousand vouchers within a month which are significant workload that can put a lot of pressure to the employee.

### **4.7.3 Impact on Supplier**

Suppliers of the Victoria also have impact from several problems. The following phrases are extracted from the interview recording file with two participants.

*“We can’t make payment to the supplier unless we don’t have signature from the superior. Sometime we need to check the quantity, packaging size, brand different, and concentration of the medicine ingredients. If they are not match with what we order, we ask them to take it back”*  
(Participant A)

The participant A answered that payment to supplier are delayed when they can’t get signature from their superior which can financial difficulties for suppliers. Moreover, if the mismatch items are asked to take back, the supplier will cost the logistic fees double.

*“We check regularly for items that are damage and nearly expire during the checking process in the warehouse. If we found some, we ask them to take it back although some of the suppliers do not accept expire items back”* (Participant B)

Participant B answered damage and expire items are checked regularly when ordered items are delivered. If they found some, they asked supplier to take back which also cost time and money for the supplier.

### **4.7.4 Impact on Service**

Some problems compromise the quality of service for the hospital’s customer. The following phrases are extracted from the interview recording file with two participants.

*“The price to sell the customer becomes higher if we procure items with the higher price. This is very much depending on the market condition. Sometime the goods are obsolete or shortage within the market, we can give what customer need, that’s impact a lot on the quality of service”*  
(Participant A)

The participant A answered due to the market condition, higher procure price lead to higher selling price as well as the obsolete or shortage of items can cause the quality of service toward the customer.

*“Supplier cannot supply what we need in time due to their logistic systems. Because of uncertainty in checking process, we sometime happen to store low quality products” (Participant B)*

Participant B answered due to supplier and human errors, they sometime encounter to offer low quality products to the customer which effect the quality of service of the hospital.

#### **4.7.5 Impact on Reputation**

Reputation is important for an organization. However, there are finance problems affecting the reputation of the hospital within their stakeholders.

*“Of cause... we have debts to our suppliers due to waiting time for signature of our superiors” (Participant A)*

The participant A answered that payment to supplier are delayed when they can't get signature from their superior which can financial difficulties for suppliers which affect the reputation of the organization.

*“The allowed patty cash never meet the requirement and we debt to the supplier which can lower the trust, resign as a supplier from the supplier and damage the organization image” (Participant B)*

Participant B answered that due to financial issues, debts, suppliers become lack of trust toward the organization and resign as a supplier for the organization. Such impact greatly damages the reputation of the organization.

#### **4.8 Theme 3: Problem Solving Methods**

As mentioned above, there are several problems and impact effecting the organizations procurement processes. Even though, the hospital's procurement department doesn't identify the sources of risk, they do have their ways to solve the problems.

**Table 4.4 Theme 3: Problem Solving Methods**

<b>Main Theme</b>	<b>Sub Themes</b>
<b>Problem Solving Methods</b>	Pushing and forceful
	Preparation
	Analyzing the past data and current condition
	Getting Suggestions
	Setting up the routine procedures
	Distributing responsibilities
	Immediate response

Source: Victoria Hospital (2017-2018)

According to the analyzing result and interviewed data, there are total of 7 sub themes which can be grouped into main theme “Problem Solving Methods”. The detail of the themes and sub themes, including the interviewee’s feedback are presents in the following sections.

#### **4.8.1 Pushing and Forceful**

Employee sometime need to push or used forceful methods to solve the problems. The following phrases are extracted from the interview recording file with two participants.

*“We push our superior to sign the documents if the payment to the supplier as this can damage the reputation of the hospital” (Participant A)*

The participant A answered that, when in a situation of being stuck on waiting signature from one of the superior, they push their superior to sign the payment documents to make the payment to supplier become fast.

*“Now we ask software engineer to check the systems for error once a week” (Participant B)*

Participant B answered that, in order to solve the software problems, they push software engineer to check the systems once in every week.

#### **4.8.2 Preparation**

The procurement department makes some preparation to prevent the risks from happening. The following phrases are extracted from the interview recording file with two participants.

*“If we see the potential of shortage of products, we purchase the product beforehand and store it. We also need to discuss with the supplier that which kind of products are receive back on expire and which are not. We also make agreement to receive back if the delivered items are mismatch with what we order in terms of quality, quantity as well as damage products” (Participant A)*

The participant A answered that, they purchased the products beforehand if they can predict the shortage of the products in near future as for preparation to embrace the market conditions. And they also make agreement upon the expire date, quality, quantities and damage products policies before they make any purchase as for preparation.

*“The finance department gives the budget into two separate entities, pharmacy and general. We notice the software errors what are happened before to reduce the software and human errors. When making data entry, we changed the format from Catton to pcs reduce the packing size problems and quantity problems” (Participant B)*

Participant B answered that, finance department make two separate budgets for pharmacy and general to reduce the complexity. Also, procurement department notify the finance that the software errors that are usually happen which can reduce the software and human errors. And to reduce the packing size problems and quantity problems within the computer systems, they change the format from Catton to Pcs which is more detail to count items which is less error prone.

#### **4.8.3 Analyzing the past data and current condition**

Analyzing the past data and current condition can make employee as better decision makers. The following phrases are extracted from the interview recording file with two participants.

*“When we calculate for budget, we need to analyze the past data of pharmacy selling power and the requirements of general” (Participant A)*



Participant A answered that, budget calculation is based on the analysis of previous data of pharmacy and requirements of general section.

*“To reduce the problem of price different when procuring items, we added a column called last price and check with the last price that we purchase that items” (Participant B)*

Participant B answered that, in order to reduce price different problems, they add a column that show the last price of the items. So that they can check before they purchase the items.

#### **4.8.4 Getting Suggestion**

Getting suggestion from the stakeholder is one of the procurement department practices to reduce the problems. The following phrases are extracted from the interview recording file with two participants.

*“We listened to what our suppliers said. Sometime, they suggest us to buy items beforehand the shortage of the product in the market, we then decided to purchase items and store” (Participant A)*

The participant A answered that, when they have the suggestion from the supplier about the items shortage, they procure items beforehand.

#### **4.8.5 Routine**

Routine tasks are setting up for better procedure and less complexity. The following phrases are extracted from the interview recording file with two participants.

*“We make market survey, introducing new suppliers once in every week” (Participant A)*

The participant A answered that; they make market survey to know about the market and introducing with new suppliers once in every week as routine task.

*“We make clearance with finance twice in every week. So that it becomes less complexity” (Participant B)*

Participant B answered that, in order to reduce the financial complexity, they make clearance with finance department for twice in every week as routine task.

#### **4.8.6 Distributing Responsibilities**

Procurement, finance, store departments are connected to make the procurement transaction. Therefore, such departments distributing responsibilities to reduce errors in transactions. The following phrases are extracted from the interview recording file with two participants.

*“We talked with finance team to notify us about the errors that are happened before” (Participant A)*

The participant A answered that; they ask finance department to notify them the human errors and software errors that are happened before as for distribution of responsibilities

#### **4.8.7 Immediate Response**

Immediate response is important for the procurement process. Every mismatch of the products needs to response immediately. The procurement department of Victoria hospital takes immediate response if such kinds of mismatching are happened. The following phrases are extracted from the interview recording file with two participants.

*“We purchase as urgent substitution in a condition where there a need of product which is shortage in the market. We try to return the good immediately if they are mismatch with what we order in terms of quality, quantity, a package size” (Participant A)*

The participant A answered that, they purchased urgent substitution goods when a product is need for the pharmacy which is shortage within the market. And return goods immediately which are not match with orders in terms of quality, size and quantity.

*“If the logistic process delay, we review the services require, cancel if necessary and other from another suppliers” (Participant B)*

Participant B answered that, as for the immediate response, they cancel the order if the supplier logistic system is delay and cannot arrive at schedule time. Then they order the products from other supplier who has the faster logistic system immediately.

#### **4.9 Prioritizing the Problems**

Victoria's procurement department also handles their problems by prioritizing. Organizational problems and financial problems are rarely occurred and have high impact on procurement processes because the consequences are damaging the organization image. Bad communication with suppliers, debts and low trust can lead to the organization failure in their process of procurement process.

Medical related problems and IT related problems are mostly occurred and have high impact on procurement because such problems are the most problems that occur within the procurement department processes. If such problems leave unhandled, then the organization will definitely fail. Commonly, medicine related problems can rise the patient complains and IT failure can lead to miss purchase which make the organization cost more in the procurement processes.

Market related problems are not very changeable and its impact are not much cause trouble to organization since the Victoria hospital has the supplier in local or foreign.

Suppliers' problems and human related problems take place since these problems are the most usual problem at the procurement department of Victoria hospital. Prevention countermeasure for suppliers' problems and human related problems are already exist such as early agreement with suppliers and distributing responsibilities with other departments to reduce human related problems.

## **CHAPTER 5**

### **CONCLUSION**

This chapter is conclusion chapter by summarizing the finding from interview and analysis and presenting some suggestion, limitation and need for further research are also stated in this chapter. This study only focuses on risk management practice on procurement process of Victoria hospital and aimed to investigate the procurement processes, risk management practices on the procurement processes.

#### **5.1 Findings and Discussions**

This study is based on the concept of the risk management practice, identifying the sources of risk, risk assessment and risk mitigation and investigates how well the Victoria hospital is doing procurement process according with the concept. This study is conducted through interview to the two participants of the procurement department, Deputy Assistant Manager and Senior Purchaser. According to the interviewee, Victoria Hospital never did the risk identifying process which is finding the sources of risks. They solve the problems only when the problems are emerged.

According to the two participants, the current procurement process of the Victoria hospital is done by few employees within procurement department. And the Victoria hospital has over 900 suppliers to make their procurement processes. The procure items involves furniture, medicines, medical related accessories and machine, stationary, IT equipment, garbage can, plastic items and food items. As for the procurement process, the procurement department asks quotation form their supplier for the item they want to procure. If there is an offer for new supplier, the department store catalog and make order if necessary or need.

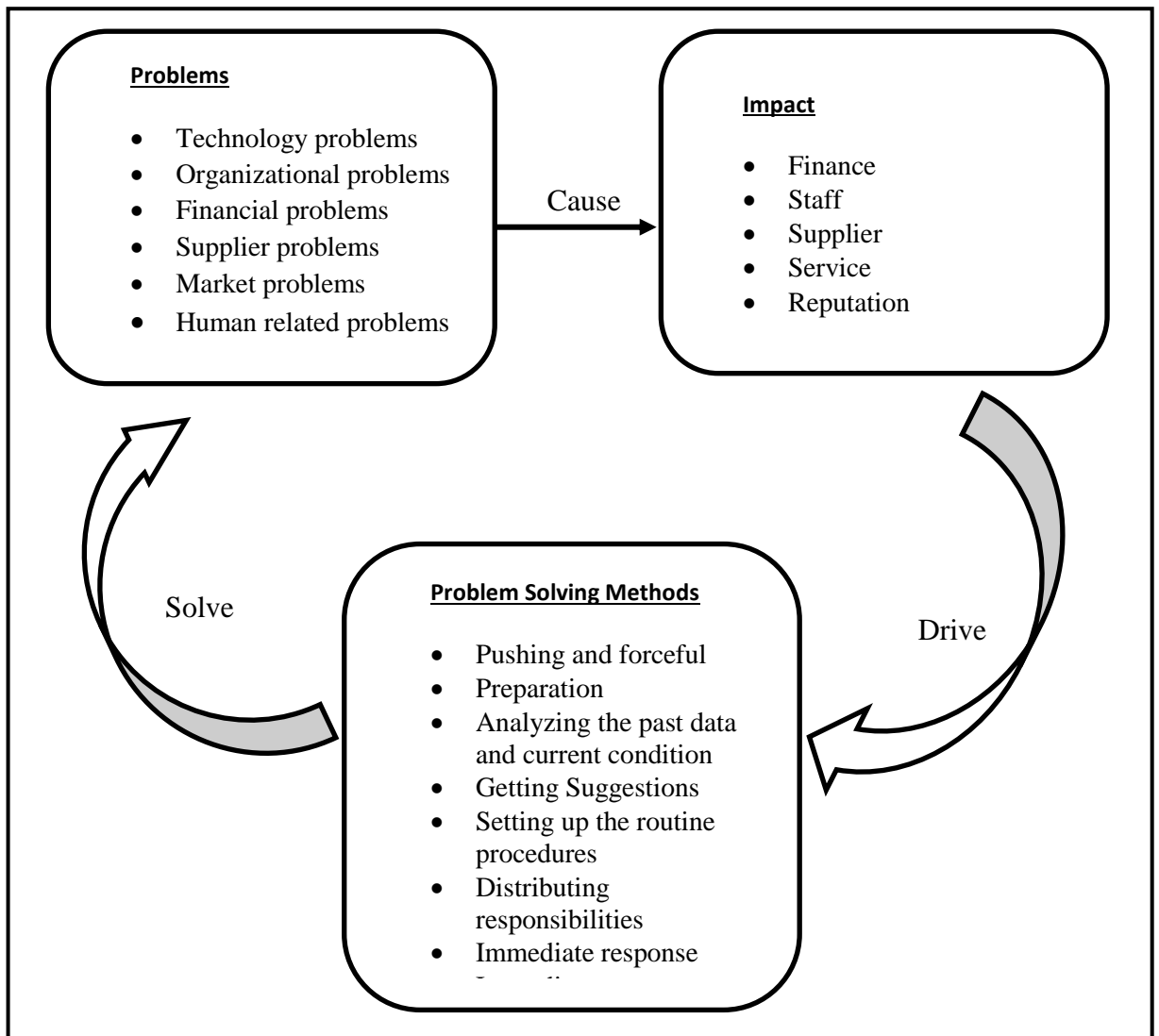
When there is a shortage of products, there is a need to recruit new supplier who can supply the products. If the procurement products are medical related machine, supplier will need to give demo to use it. If there are no errors, then the machine is procured. When it comes to furniture, they have the supplier such as sweethome which is the largest furniture maker in Myanmar. The hospital procures furniture items by asking them to send photo of the items through social media and buy them. There also price limitation when procuring the furniture. The procurement

department states the maximum spending amount on items, which they want to procure, to the client.

The procurement department is connected mainly with three department, store, finance and procurement department. All the payment processes are handled by the finance department while the store department is responsible for checking the delivered items together with vouchers transfer from procurement department. The store department checked the delivered items, if correct, store and transfer vouchers and documents to the finance department to make payment. If the deliver item is mismatch with order, store department sent back items again to the procurement department and procurement department ask the supplier to take back the items. In Store department, there are two separate stores for pharmacy and general items. For pharmacy, reorder is existing since medicine is needed for every time. However, for general item, the store can make request to procure items for the first 15 days of the month. The procurement department only procure exactly require items for general.

Victoria is a big hospital and thus, exist several problems in procurement processes, because of lack of risk management, impact of the problems and the way they are solving such problems. Such problems are existing because of lack of risk identifying process, and reactive problem-solving methods.

**Figure 5.1 Problems, Impact and Problem-Solving Method on Procurement Process**



Source: Victoria Hospital (2017-2018)

According to the interview, the procurement department used the computer software systems to handle the purchase and storing data. However, the computer systems sometime have errors which need to fix by inviting the software engineer. Most of the errors are happened because of human error such as wrong data entry, price input different and quantity input different. And the department solves such IT related problems in first place because of high impact and high occurrence. Errors are reduced by adding last price column for the price different and Catton to pcs in quantity different in data entry and to reduce the problem associated with the expire problem of the items, the procurement department need make agreement before they procure something.

Regarding with the Finance, the procurement department calculate once a year by calculating the data from the pharmacy selling power and general requirements. The budgets are issue in term of documents and forms. There is also petty cash for urgent procuring. However, it is not enough to buy urgent procurements. That is why there are debts to suppliers. Sometime the error from the computer system can take up to one week to fix the problem by finance department.

In Victoria, to issue a payment, there is a need of three signs from superiors, general manager, finance managers and procurement manager. If one of them delayed to make sign, the payment process will be delayed. As consequences, the supplier gets late payment and the procurement department staff has to apologize for the delay. To solve the problem, the procurement department pushes the higher up to sign document as an emergency condition. According to the interview, the suppliers sometime make delayed for or deliver the mismatch items to the hospital accidently, when that happen, the procurement department response immediately because this is the most important for the hospital as well as for patients.

Concerning with market, if the procurement department fail to fetch the items before item values changed, they need to procure item with much higher price accordance with the market prices. Some suppliers are making suggestions to buy items beforehand to prevent higher cost in case of product shortage. Different suppliers also have different supply policies on returning goods and expire products. Market related problems are not very changeable and its impact is not much cause trouble to organization.

To reduce the problems relating to market and suppliers, the procurement department tries to fill up the medicines as much as possible. Also, the department staff go into wards once in a week and solve the problems if occur. And also push the software engineer to check the computer system once in a week.

As for the conclusion, the Victoria Hospital risk management is in poor stage. Due to lack of identifying the sources of risks, the problems are occurring within the procurement process.

## **5.2 Suggestions and Recommendations**

According to the finding, Victoria hospital does not conduct any risk management practices and problems are solved after the impact. Solving problems

after the impact is not very good approach as it was already taken damage to the organization. The prevention is better way to protect such problem from happening. Thus, in order to prevent such problems and risks, risk management practices should implement within the Victoria hospital.

According to the analysis, Victoria hospital does not conduct standard risk management practices. Several problems are emerged regarding with, organizational, suppliers, technologies, finance and market. By doing brainstorming sections and risk registrations can help to overcome such problems.

Moreover, Victoria hospital should place an in-house team for technologies errors. It can reduce the time wasted and cost. To reduce the human error in store, the warehouse system should connect to the supplier directly to order when items reach to minimum level.

To reduce the organizational problems, Victoria hospital should make more flexible system to make payment or empower authority to the procurement department to make payment to certain amount.

In order to know the market condition more, the employee should go out market more than once a week. And take time to have prediction section for the market condition within organization. For the finance, the organization should allocate more budgets for urgent usage. The petty cash currently received by the procurement department is not enough to make emergency procurement. This makes the organization debts to their suppliers. For the supplier, the organization should establish several rules for accepting the new suppliers such as goods return policy, expire goods policy and damage policy and mismatch return policy. However, the problem prioritizing is a good practice within the department. The current prioritizing system is good enough to handle the problems one by one.

### **5.3 Limitations and Needs for Further Research**

This study only focuses on the risk management practice on the procurement process of Victoria hospital. The result of only one private hospital's risk management practices cannot represents Myanmar's health care sector risk management practices. Moreover, this study focus only focuses on the procurement process from the Victoria hospital side. Suppliers and manufacturing side should also investigate for better understanding of supply chain processes for hospital. In



addition, the external factors such as political and environmental policies should also investigate in the future research.

Based on the limitations mentioned above, some recommendations are provided for future research. Future research should be conducted, including additional influential factors which were not currently considered. Additionally, future researcher should involve more healthcare centers in order to generalize results of Myanmar's healthcare industry risk management practices.

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## APPENDIX

### Interview Questions

#### QUESTIONS

##### GENERAL QUESTIONS

1.	Explain about Victoria Hospital Services, Profile and Manpower?
2.	What are the procurement items of Victoria Hospital?
3.	How the hospital carryout the procurement processes?

##### TECHNOLOGY RISK IDENTIFICATION QUESTIONS

1.	What kind of technology used in the Victoria hospital for procurement processes?
2.	What are the sources of risk associated with that technology?
3.	How the hospital identifies the sources of risk associate with the current or future technologies and changes of technologies?

##### ORGANIZATIONAL RISK IDENTIFICATION QUESTIONS

1.	What level or departments involvement in the procurement processes?
2.	What are the sources of risk associated with that organizational level?
3.	How the hospital identifies such risk sources?

##### MARKET RISKS IDENTIFICATION QUESTIONS

1.	What is the market situation of current procurement processes?
2.	What are the risks for changing market?
3.	How the hospital identifies such risk sources?

##### FINANCIAL RISKS IDENTIFICATION QUESTIONS

1.	What is the average budget for procurement processes?
2.	What are the risks for financial situation of the procurement processes?
3.	How the hospital identifies the sources for financial risks?

##### SUPPLY CHAIN RISKS IDENTIFICATION QUESTIONS

1.	What are the risks from supplier side?
2.	What are the sources of risks in supply chain system?
3.	How the hospital identifies the sources of risks?

#### RISKS ASSESSMENT QUESTIONS

1.	If problems are happening, what kind of problem is the most important problem to solve first?
2.	What kinds of problems have the least impact on the organization?

#### RISK MITIGATION QUESTIONS

1.	What kind of methods used to prevent or reduce the risks?
2.	What kind of methods used to improve the risk identification processes?

#### PROCUREMENT PROCESS QUESTIONS

1.	What is the relationship with procurement department and store department?
2.	What are the risks that exist in between procurement department and store department?
3.	What are the methods used to solve the risks between procurement department and store department?
4.	What is the relationship with procurement department and finance department?
5.	Can the procurement processes slow because of finance department?
6.	What are the biggest risks that can happen between procurement department and finance department?
7.	What are the methods used to solve the risks between procurement department and finance department?
8.	What are the countermeasures to prevent the risks from happening between store, procurement and finance?

