

Government Policy Requirements and Personal Considerations as Determinants of Organizational Buying Behaviour

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Abstract

This study examined the impact of government policies and personal consideration factors as determinants of organizational buying behaviour in a developing economy. Using survey data from 321 respondents in the three categories of organizational consumers based in the southern senatorial district of Cross River State, the study shows that although government policy requirements and personal interest factors directly influence organizational buying behaviour, later emerged as having the stronger influence. Our finding also suggest that producers and suppliers of industrial products would derive greater patronage and benefit in exploring and sustaining personal relationships with members of buying centres, besides considering government policy requirements on purchasing.

Keywords: Government policy requirements, personal interest factors and organizational behaviour.

1. Introduction

All forms of organizations purchase goods and services for the discharge their functions and for the purpose of internal administration. There are numerous differences between purchasing by organizations/institutions and purchasing by personal or ultimate consumers. Ultimate/personal consumer behaviour is significantly different from business/institutional consumer behaviour. These differences result from such factors as types of consumers, the types of products they buy, the size and location of consumers, the complex process and rigorous standards of purchasing, the nature of business relations, the motives and behaviour of buyers and the nature of demand (Dwyer & Tanner, Jr. 2002; Ekerete, 2005).

Consequently, the motives for organizational buying differ from those for consumer buying. And because of these differences in buying motives, the approach to buying goods and hiring services, as well as the marketing strategies designed for business marketing, are different from those of ultimate consumers.

Suppliers of business goods or services compete in terms of the quality and volume of business markets they attract and retain (Bird, 1980). What motivates a consumer to buy from or patronize a particular supplier, among other factors, is the expected or perceived benefit and expenses following previous purchases (Hutt & Speh, 1998).

To be able to predict customer responses to marketing effort and thus reduce uncertainty about alternative marketing strategies, the organizational marketer must have a thorough understanding of the motivations that inform organizational buyers' decision to patronize one vendor rather than another.

Extant literature have examined critical factors influencing organizational consumer purchase behaviour (for example, See Webster & Wind, 1972; Ford 1982, etc). These studies are attempts aimed at providing the marketing manager a conceptual framework within which to analyze their customers and thus be able to tailor their product and communication strategies to reach desired targets.

Equally, many studies have been carried out on factors influencing purchasing decision of industrial products by organizations. These studies have served to produce organizational buyer behaviour theories that have been used to explain the motivation of individual members of the buying centre when choosing a vendor.

Unfortunately however, these studies and the models derived from them tend to be limited, at least, for two significant reasons. First, most of the studies have been concerned with the private sector organizations such that generalization across organizations becomes difficult (Hambagda, 1985). Strong evidence suggests that for-profit firms engage in purchasing activities and behaviour which are different from those organized on not-for-profit basis (Bonoma & Zalman, 1978). The Cross River State economy is dominated by the public sector, hence, it is sometimes referred to as a 'civil service state'. The government policy requirement of 'due process', 'local content', etc, imply that public sector organizations are constrained in their choice of vendors of industrial goods and services.

Secondly, most of the studies are concerned with the behaviour of organizational buyers in developed and industrialized economies where objectivity and public accountability are given high priority. Unlike most developed and competitive economies where the industrial buyer must be prepared to justify his purchases on the basis of measurable performance, the choice of suppliers or contractors by organizations in Cross River State is often influenced by organizations non-rational factors such as personal ambition/interest, political-cum-religious affiliation, need for gratification, etc. These factors are sometimes referred to as the 'Nigerian factor' or the 'man-know-man factor'.

On the whole, the problem for this study can be stated thus; what is the nature of the relationship between government policy requirements and personal interest factors, on the one hand, and organizational buying behaviour on the other hand, in a less industrialized and developing country like Nigeria? Although this paper focused only on government policy requirement and personal interest factors, other factors such as price differentials offered by vendors, quality requirements for industrial goods, buying situation, age/experiences of members of buying centres, organizational structure, etc, have also been found to influence organizational buying behaviour. Personal interest factors and government policy requirements are the independent variables while organizational buying behaviour is the dependent variables.

It is against this background that this paper seeks to evaluate the relative importance of government policy requirements and non-rational/personal considerations by members of buying centers in the choice/patronage of industrial product vendors. The research also has as its objective, to describe and explain the degree of the relationship between the dependent and independent variables.

2. Conceptual Framework and Literature Review

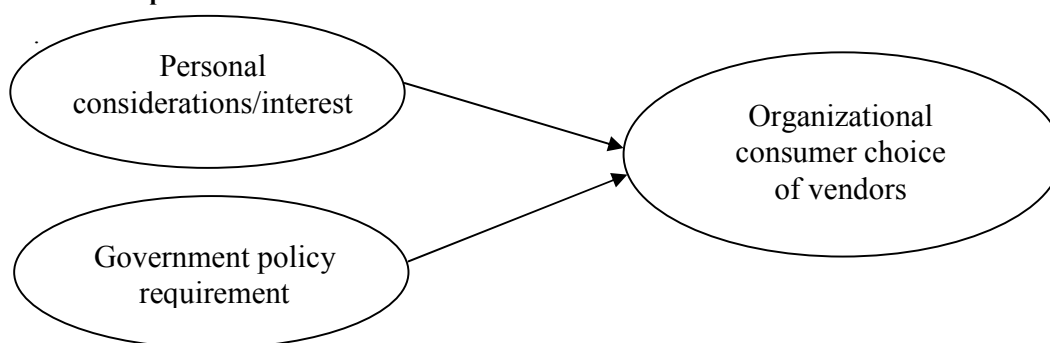


Fig. 1: Conceptual Framework

The conceptual framework for this paper, as presented in Fig.1 above, aims to examine the nature and strength of relationship between government policy requirements, personal considerations/interest and organizational buyer decisions to patronize one industrial product vendor rather than the other. All constructs were conceptualized to fit better into the study setting. The constructs were conceptualized from the elements of the buying determinants theory – a rather general theory on why buyers buy (Dwyer & Tanner, -Jr., 2002). Based on the view of Ekerete (2005) personal consideration was defined as the influence of personal feelings, ambitions, status, prestige, temperament and self-interest by members of the buying centre when deciding to buy or patronize an industrial product vendor or supplier. Government policy requirement was conceptualized in this study as the various processes, measures and rules put in place by governments (Federal, State and Local government) to condition and constrain choice – making by members of buying centres. Lastly organizational consumer decision on or choice of, vendor/supplier was conceptualized as the likelihood that an organization’s representatives or buying agent/decision maker will patronize one supplier rather than the other.

2.1 The Relationship between Government Policy Requirements and Organizational Buying Behaviour

Empirical and theoretical evidence in the literature suggest that government policy measures in the form of legislations, treaties and bilateral agreements serve to limit organizations choices in terms of who to buy from, what to buy and how to buy (Hutt and Speh, 1998). The supervision of business relationships between the United States of America and Iran, for example, means that U.S firms cannot purchase from or sell to Iranian firms, and vice versa. Similarly, the Economic Community of West African States (ECOWAS) creates a common market that may result in business partnerships and relationships among the member states to the disadvantage of outsiders.

The Nigerian government policy of ‘local content’ and ‘due process’ have served to constraint both domestic and multinational organizations as to where and whom they hire. All tiers of governments have procurement Acts and procedures that guide purchasing (Ekerete, 2005; Hambagda, 1985). Business organizations are also influenced by laid down rules and procedures for purchasing goods and hiring services. Dwyer and Tanner, Jr. (2002) observed that government policies can determine who a company’s customer or competitor is.

H1: There is a significant relationship between government policy measures and buying behaviour of organizations.

2.2 *The Relationship Between Personal Interest Factors and Organizational Buying Behaviour*

In recent years, there have been discussions about the part non-rational factors play in industrial purchasing. This paper considers individual personal psychographic influences as opposed to group multiple-influence factors. It has been observed that each member of the buying centre has a unique personality, a particular set of learned experiences, a specified organizational function, and a perception of how best to achieve both personal and organizational goals (Backhaus, Von Doorn, & Viken, 2008; Cardozo, 1983).

There can be no doubt that the purchasing officer is a human being before he is a purchasing officer. The same is true of the other functional executives who influence buying. During negotiations with potential suppliers, members of the buying centre may want to factor in their personal interest into the bargain. Importantly, studies have shown that organizational members who perceive that they have an important personal stake in the buying decision will participate more forcefully in the decision process than their colleagues (McQuison & Dickson, 1991).

Also, in his study of buying decision process in public sector organizations in Nigeria, Hambagda (1985) observed that buying officers or executives with buying interest regard a buying situation as an opportunity to present and enrich their personal and functional status. This behaviour pattern is explained by the Hobessian organizational buyer behaviour model. The hypothesis of this model is that the organizational buyer's interest to do the best for his organization is hampered by his interest to do the best for himself; that the buyer pursues both personal and organizational goals.

H2: The decision to patronize one industrial product vendor rather than another is significantly related to the desire to satisfy personal interest considerations by members of a buying centre.

3 Materials and Methods

3.1 *Design Procedure*

The study covered three local government areas in the Southern Senatorial district of Cross River State. There are six local government areas in the district. Organizational consumers are stratified into three: government consumers (federal, state and local), commercial and manufacturing firms and institutions (not-for-profit organizations). This study considers the three categories of business consumers outlined above.

The sample size was determined by ungrouped one-stage random sampling method (Collins, 1986):

$$n = t^2 [1 + (0.02)(b-1)] \times pq / e^2$$

where n is the sample size, t is (assumed to be 95%), b is the stage of sampling and p is the estimate of expected population proportion having desired characteristics based on prior information, q (or 1-p) is the estimate of expected population not having the characteristics of interest and e is the accepted error margin (assumed to be 5%). In a pilot survey of fifteen persons by the researcher to determine the validity and reliability of the survey instrument, nine (9) persons interviewed indicated that personal and socio-political relationships strongly come into play when deciding who to award contract of supplies. The people interviewed include four (4) construction engineers/supervisors, five (5) store officers, three (3) revenue enforcement officers and three (3) church officials. A strong positive response of nine (9) out of fifteen (15) equals 60%. Our p was therefore taken as 60%.

If b is equal to 1, then

$$n = (t^2 \times pq) / E^2$$

$$n = 1.96^2 (0.60 \times 0.40) / 0.05^2 = 369$$

The study designed is cross-sectional in nature and was conducted using a self-administered questionnaire. Respondents were informed that their participation was on a voluntary basis and all information provided would be kept private and confidential. Copies of the questionnaires were distributed only to organizational members who had direct role in the buying process. These included heads of departments, purchasing officers, and heads of units, store officers, staff of fiancé and supply departments, and other senior and middle level staff involved in making buying decision for the organization.

In the survey we employed several methods to ensure that the informants were appropriate and competent to answer or respond to the enquiries. First, 72.65% of the informants/respondents were managers, unit heads, senior staff or officers directly involved in buying decisions or the selection of suppliers. The average length of the respondents being in such position of responsibility (i.e. years of knowledge and experience) was 3.6 years.

3.2 *Measures*

All measures made use of five-point Likert scales and were adapted from studies Quison and Dickson (1991). Their study is similar in objectives, if not in scope, to this one. Although the data collection instrument was designed using multiple-items format, the single item approach was used to measure the constructs being studied. Assessing reliability in terms of internal consistency for single item measurement is usually very difficult (Soderlind & Ohman, 2003). However,

Rossiter (2002) demonstrated that the main problem is the validity problem rather than reliability problem. This is further supported by Westbrook and Oliver (1981) who indicated that single item rating scales were commonly used by researchers in testing customer satisfaction.

4 Results

The first hypothesis predicted the relationship between government policy requirements and organizational buying behaviour. Table I shows the summary of the result of correlation test between government policy requirement and organizational buying behaviour.

Table I
Summary of correlation result between government policy requirements and organizational buying behaviour

Variables	Σx	Σx^2	Σxy	R	$Z_{cal.}$	$Z_{crit.}$
	Σy	Σy^2				
Government policies (x)	321	42,727				
Organizational buying behaviour (y)		23,817	14,440	0.45	8.05	1.96
	321					

Note: Correlation is significant at the 0.05 level (2 - tailed).

The result of data analysis indicated that there is a positive relationship ($r=0.45$) between government policies and organizational buying behaviour. However, the coefficient of determination ($r^2=0.20$) indicate that only 20 percent of the variation in industrial buying decision could be explained by the above result.

Table 2 presents the summary of data analysis and correlation test to determine the significance of the relationship between personal factors and organizational buying behaviour.

Table II
Summary of correlation test result between personal factors and organizational buying behaviour

Variables	Σx	Σx^2	Σxy	r	$Z_{cal.}$	$Z_{crit.}$
	Σy	Σy^2				
Personal factors (x)	321	23,847				
Organizational buying decision (y)		23,817	18,801	0.79	14.13	1.96*
	321					

Note: * $P < 0.05$.

5 Discussion

Although the result on Table I clearly indicated that government policy is significantly related to organization value (which was 20%) indicated a low level of co-variation between the variables. This may be due to the fact that the majority of sampling units came from the private sector that are not strictly bound by stringent rules and procurement policies imposed on public sector organizations by governments. Be that as it may, the result supports the hypothesis that government policy measures and requirements constraint organizational buyer choice behaviour. This finding is supported by the observations of Ekerete (2005) and Iruka (2002) who noted that government policy measures such as the legal requirement for submission of sealed bids when tendering for contracts influence who organizations buy from.

In Table II, the Correlation coefficient of $r=0.79$ supported the hypothesis that there is a direct positive relationship between personal gratification factors and organizational buyer decision to patronize one vendor rather than the other. The high coefficient of determination ($r^2=0.62$) also shows that 62 percent of the co-variation between personal factors and organizational buying behaviour could be attributed to the changes in the former. The test of hypothesis using the critical Z-value of correlation test showed that there is a significant positive relationship between the personal feelings/interest/goals of members of buying centres and the decision to patronize one supplier rather than another. This finding is supported by the results of studies carried out by Hambagda (1985), Ford (1998) and Backbaus, et al (2008).

These studies variously identified the fact that members of buying centres pursue personal goals while negotiating on behalf of the organizations they represent. They desire personal recognition, and consider familial relationships when deciding to buy. It is common knowledge in Cross River State, in particular and Nigeria, in general to hear or read of contracts being awarded to members of the same family, same political affiliation, same social group, or after kick-backs (in the form of bribes, gifts, etc) have changed hands.

Ekerete (2005) observed that most of the times, members of buying centres put their interest above those of the firms. He described this individual or personal influence as “buyer temperament”. The study result also collaborates Hambagda (1985) who concluded that inducement influences purchasing in the public sector of Nigeria.

6 Conclusions and Recommendations

The hypotheses formulated for this study were strongly supported and the proposed framework of the present study was able to demonstrate a fair explanatory power. Notably, this study provided fairly good evidence of the relationship between government policy requirements and personal interest factors on the one hand and organizational buying behaviour on their other. Personal factors emerged as the stronger influencer of organizational buying decision. Although government policies are significant factors in determining organizational buying behaviour, they cannot sufficiently explain the behaviour of the organizations studied. The data set used in this analysis was disproportionate in favour of the private sector firms.

These factors should be given emphasis by organizational marketing managers in the formulation of marketing strategies designed to promote relationship. This study provided insights into some of the factors that may allow industrial product vendors anticipate the likely behaviour of business consumers in a less industrialized state like Cross River State, and to improve planning of marketing programmes/strategies. Business marketing managers should focus not only on objective factors (thus assuming that organizations will always make rational choices and decisions), but also exploit the personal interests and feelings of the key buying decision personnel in the organization.

Admittedly, this study has a number of limitations. Firstly, the sampling units under study were disproportionate in favour of private sector firms. Secondly, the use of single-term measurement for the constructs has low reliability (Churchill, 1979). Thirdly, the study did not make a distinction of the influence of variables being studied on different forms of organizations (such as sole proprietorships or partnerships, etc) which have different ownership and buying decision structures.

In view of the above limitations, future study should use a more proportional representative sample in a more industrialized state. In terms of measurement scale and analysis technique, future research may use multiple items to strengthen the reliability of their construct. Regression or factor analysis techniques may also be used so as to accommodate more independent variables and also determine the degree of the effect of the independent variables on the dependent variables. Also, future studies may be carried out in form of a comparative analysis of the influence of these factors on buying behaviour in different forms of organizations so as to determine the relative importance of the studied variables in determining behaviour.

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