

## RESEARCH METHODS

HPS2301

### PROBLEM TREE

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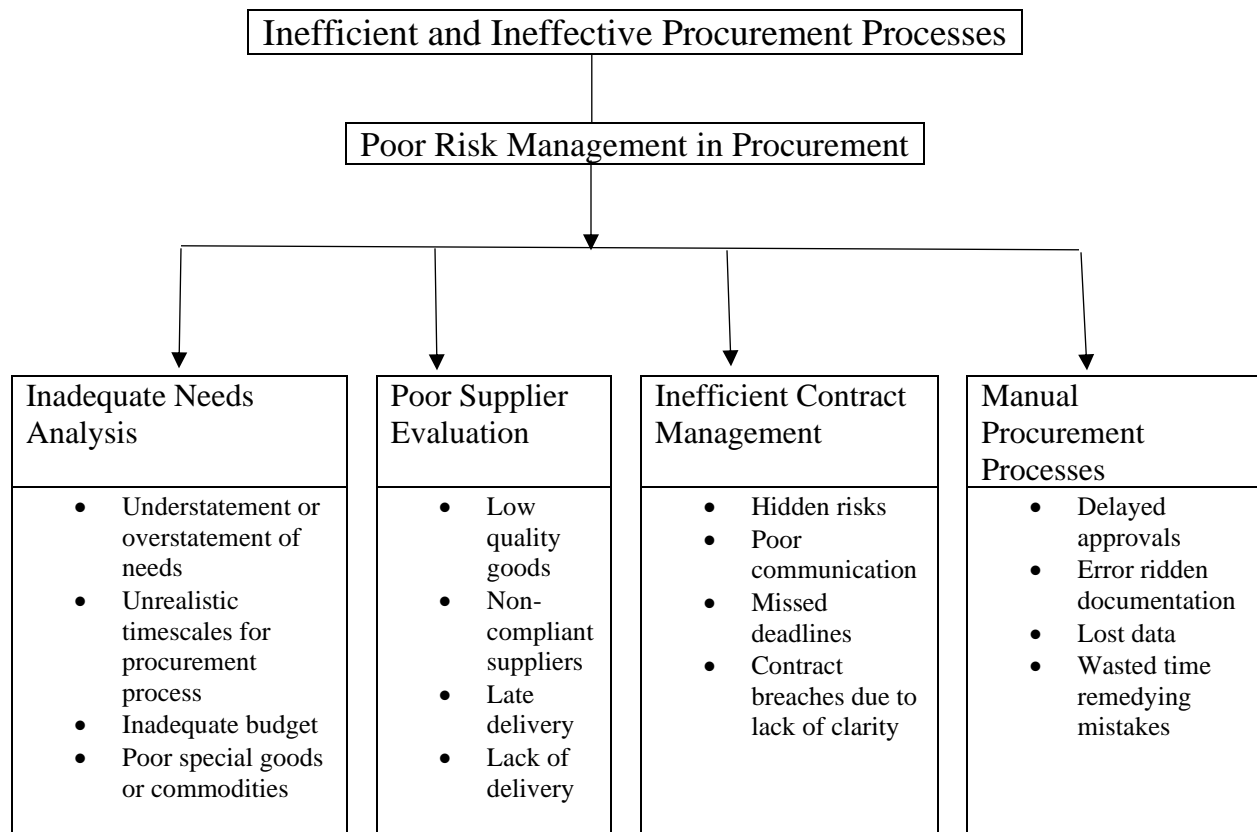
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### **Problem: Poor Risk Management in Procurement**

Risk management not only helps in the successful running of purchasing and supply operations but also partakes in business continuity. Lack of proper risk management could thereby lead to inefficient and ineffective procurement process hence business failure.

### **Effect: Inefficient and ineffective procurement process**

Poor risk management makes procurement processes ineffective in such a way that a company may be unable to reach its objectives and goals within the time set. Inefficient procurement processes due to lack of risk management lead to failure of a company to achieve its maximum productivity and promotes wastage of time and resources.

## **Risks:**

### **1. Inadequate needs analysis:**

Failing to do a needs analysis could lead to a messed-up procurement process, for instance: getting the wrong products, getting extra or less products, buying overpriced goods or missing benefits of discounts and economies of scale offered by well-negotiated contracts. This eventually affects your profitability and ability to achieve competitive advantage as a company.

### **2. Poor supplier evaluation**

Poor supplier evaluation leads to rogue spending, unaccounted for funds, false invoices, and other mistakes done by vendors.

### **3. Inefficient Contract management**

Being that contracts are a strategic opportunity to form mutually beneficial partnerships with vendors, poor risk management affects cost savings and puts your business at a risk of compliance issues like theft, fraud, bribes, money laundering, etc.

### **4. Manual internal process**

Manual operations in the Procurement process give way to the possibility for error. Invoices are frequently delivered without context. No one may be held responsible for any element of the purchase. Such errors may emanate from destruction of physical records or loss of recorded data.