ORIGINAL RESEARCH PAPER

Volume - 13 | Issue - 01 | January - 2024 | PRINT ISSN No. 2277 - 8179 | DOI : 10.36106/ijsr

INTERNATIONAL JOURNAL OF SCIENTIFIC RESEARCH

EXAMINING NEPOTISM AMONG PARTICIPANTS IN THE PROCUREMENT PROCESS: AN ANALYSIS OF THE NIGERIAN OIL AND GAS SECTOR

Engineering

Diamond Fianka* CPPM, CPP, MBA, MSC, MCILT, MCIPS *Corresponding Author

John Didi MCILSCM, CSCMP

Stephen Ibrighademor CPPM, CPP, CISCM, CISCP

ABSTRACT

The Nigeria Oil and Gas sector serves as a critical pillar of the nation's economy, making the analysis of nepotism within this domain imperative. Nepotism, the favouritism shown towards family members or close associates, can significantly distort the fair and transparent functioning of an organisation. Within the Nigeria Oil and Gas sector, where intricate networks and collaborations are critical, the presence of nepotism poses multifaceted challenges. Based on the data collated from the survey questionnaire which provide insights into the personal motivations and systemic factors driving nepotism. Internally, the focus is on procurement professionals and end-user/requesting departments while externally, the study considers partnering companies, sponsoring individuals, and organisations. The study provides a comprehensive understanding of the multifaceted nature of nepotism and its consequences. The findings of this research hold implications for policy making, corporate governance, and efforts to foster a more equitable and competitive business environment within the Nigeria Oil and Gas Sector.

KEYWORDS

1.0 INTRODUCTION

The Nigeria Oil and Gas Sector, a crucial driver of the nation's economy, has faced several allegations leading to concerns about transparency, ethical standards, and fair competition[1]. Research indicates that top management and executives play a pivotal role in propagating nepotism within organisations as they often possess the authority to make crucial decisions regarding hiring, promotions, and contract awards [2]. In the Nigeria Oil and Gas Sector, top management figures hold considerable power, making their involvement in nepotistic practices influential. Nepotism can be exacerbated by the involvement of political figures and government officials who may leverage their influence on secure positions or contracts for their associates [3]. Given the significant role of government in the Nigeria Oil and Gas Sector, the interaction between politics and business could lead to biassed resource allocation. While top management and political figures facilitate nepotism, employees who benefit from such practices also play a critical role as they may actively seek opportunities for their relatives or acquaintances, perpetuating a culture of favouritism [4]. [5] during their research identified nepotism as one of the top challenges faced in the procurement process within the Nigeria oil & gas sector.

2.0 Sample Size and Data Collection Techniques

A detailed survey questionnaire was distributed to 150 participants working in the oil & gas sector either as an employee or those doing business as a contractor and out of which 129 participants completed the survey. This research is focused on those working in the oil and gas sector such as Contract or Procurement & Supply Chain Professionals, Contractors/Vendors, Other Professionals. The table below shows the distribution of participants.

Table 1. No. Of Participant

SN	Department/Area of Function	Frequency (N)	Percentage
1	Procurement and Supply Chain Professionals	24	19%
2	Contractor/vendors	96	74%
3	Other Professions	9	7%
		129	100%

3.0 Players of Nepotism within an Organisation

In every process, some key actors play significant roles that either affect the process positively or impact the process negatively. In this case, nepotism is a major issue that procurement professionals and the entire organisation suffer from [5]. This is because it tends to increase the company's overall operating cost and makes organisations not to be compliant with internal policy.

The diagram below in figure 3.0 depicts the key plays in an organisation such as the (i) internal Stakeholders (Procurement Professionals, End-user/requesting department, Senior management) and (ii) external stakeholders such as partnering companies, sponsoring individual(s) or organisation(s)

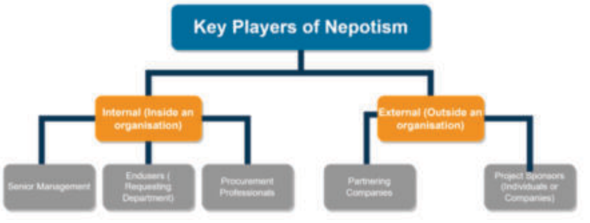


Figure 3.0 Players of Nepotism within an organisation

3.1 The Procurement Department/Professionals

These are a group of professionals employed by an organisation saddled with the responsibility of managing the procurement function in an organisation [6]. They interact and relate with both the internal end user in defining the requirement to procure goods or services that are required thereafter, they handle the procurement aspect of the request from identification to award of contract(s). They play a very significant role in the procurement business in an organisation [7]. Procurement professionals who are responsible for supplier selection and contract awards, can influence decisions based on personal affiliations rather than merit. This can lead to suboptimal choices, reduced competition, and compromised operational efficiency.

3.2 The end-user (Requester)/Requesting Department

The end-user can be an individual or group of individuals representing a department. They are the first set of people in the organisation that identify the needs of the department, develop the scope of work (SOW) of the proposed project, provide the estimated budget etc. because they are the owners of the projects, they believe they know everything about the project and this set of individuals due to their technical understanding of the projects and tend to yield towards recommending vendors to the procurement professionals, because they have seen the proposed budget for the project. They do all within their power to ensure procurement professionals make use of their preferred contractors for the award of contracts to someone that is very close to them for benefits. The nominated vendors are vendors that are either a family member, a close relative, or a close friend that they have made a promise. Procurement professionals need to watch out for end-users that vehemently insist on them to use their preferred contractors.

3.3 Partnering company.

The partnership itself is not a bad idea but where its contractual obligations between two parties are not properly spelt out it becomes an issue. As an umbrella term, partnership describes a variety of types

 PRINT ISSN No. 2277 - 8179 | DOI : 10.36106/ijsr

of relationships in many different circumstances and contexts, encompassing several different concepts and practices (Mcquaid & Osborne, 2019). This is an important area that both the CEO, top executives and as well procurement professionals need to pay critical attention to avert nepotism or reduce nepotism in their organisation. How do these individuals or partnering organisations work? What they do behind the scenes is to cleverly bring in their suppliers to your company by way of referring them to the procurement department.

3.4 Sponsoring Stakeholders

Sponsoring stakeholders do not just decide to sponsor a project without looking out for what they will benefit from the project. The decision to sponsor any project or an organisation considers business, financial, and other factors (Carrel & Schoenbachler, 2001). This set of individuals or organisations carefully mapped their internal strategy on how they can benefit from their own, not just the profit share they will get by funding your projects, but the lookout for other ways to penetrate your business. This is where chief executive officers (CEO), managing directors (MD) of various organisations fall victim because they don't want to lose their sponsors, whatever their sponsors want they tend to provide for them by way of awarding contracts to their preferred contractors/vendors.

Figure 3.4 Nepotism Challenges

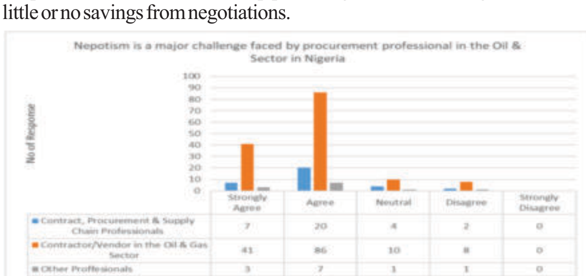
4.0 The Implication

This is a common challenge that has been faced across different sectors in Nigeria as about 68% of the participants agrees to a large extent that nepotism is a major challenge that has been faced in the procurement processes. From the result shown below in figure 3, 1 for other contractors to survive in the oil business, one needs to take remedial action to curb the current prevailing situation in the country. Nepotism does not just affect only contractors from doing business with the primary company. The effect of nepotism if not properly investigated will gradually affect the company as a whole such as it will increase operating cost, it will make procurement professionals lose track of reliable and capable suppliers, there will be little or no savings made during negotiations with contractors, it will lead to contractors fighting and planning evil amongst them because of lack of jobs and contracts in circular across the oil sector in the country where multiple contractors can bid for open tenders etc

Figure 3.1 shows that nepotism is on the rise in Nigeria however when focusing on individual organisations, Nepotism seems to be on a moderate level.

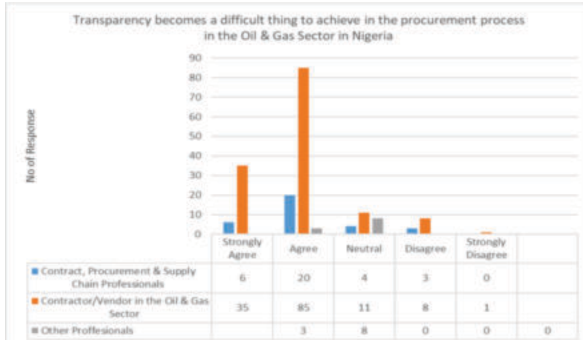
4.1 Nepotism is a major challenge faced by procurement professionals.

Some organisation may not see nepotism as an issue or major threat to their overall profit especially organisation that does not have a structure procure to pay process However, there is a major negative impact of nepotism which if not handled on time will increase the company operating expenditure and the procurement team will end up procuring materials at a higher cost with little or no savings from negotiations.



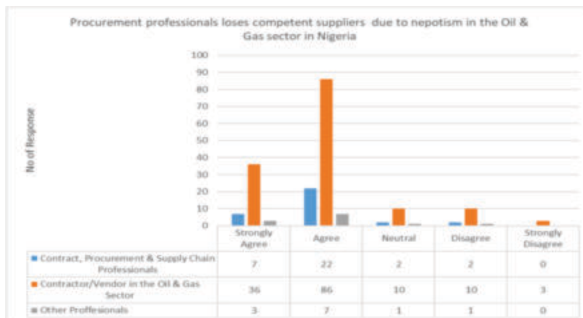
3.2 Transparency becomes a difficult thing to achieve in the procurement process.

When procurement procedures are not followed by an organisation, transparency becomes a difficult thing to achieve in the procurement process (Georgieva, 2017). Nepotism makes it difficult for procurement professionals in carrying out the procurement function efficiently and transparently. When nepotism becomes the go-to in an organisation, it is bound to have major transparency issues which will have an overall negative impact on the entire organisation.



4.3 Procurement professionals lose competent suppliers due to nepotism.

Knowing and unknowingly to the procurement department, they end up losing contractors who can handle any kind of project for their company. contractors tend not to respond to tenders from procurement professionals especially when they know that they will not get the contract even if they are the most technical and commercially qualified bidder. Nepotism tends to kill the drive and morale of other contractors.



5.0 Guidelines an Organization Should Take to Reduce/Eliminate Nepotism In Their Organization

i. Knowing the key players of nepotism and taking remedial action to avert future occurrence.
ii. Develop an anti-nepotism policy (ANP) for the company.
iii. Develop a conflict-of-interest disclosure policy (CIDP)
iv. Design anti nepotism form (ANF)
v. Conduct a quarterly survey using the ANF to review if employees are compliant with the ANP.
vi. Design conflict of interest form if already in existence
vii. Conduct a quarterly survey using the ANF to review if employees are compliant with the ANP.

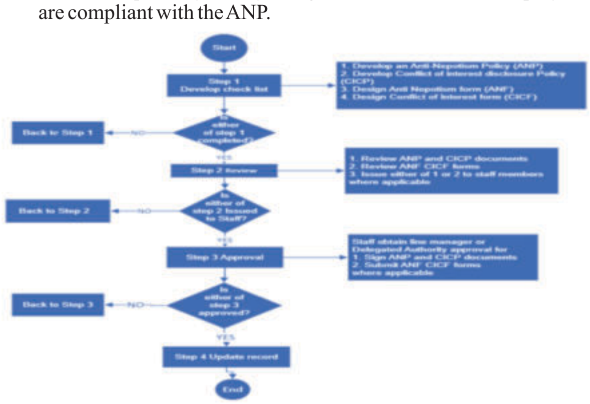


Figure 5.0 Process Flow diagram for managing and controlling nepotism in an organisation.

6.0 CONCLUSION

The findings of this study shed light on the key players involved in promoting nepotism and as well as the implications organisation will face within the Nigeria Oil and Gas sector. As organisations worldwide grapple with issues of ethics and fairness, the insights from this study can also contribute to a broader discourse on nepotism's impact on organisational success and societal progress.

This research contributes to the existing literature on nepotism by providing a nuanced examination of its manifestations within the Nigeria Oil and Gas sector. The study's insights are expected to inform policymakers, industry leaders, and stakeholders on the importance of tackling nepotism to ensure equitable opportunities and bolster the sector's contribution to national development.

REFERENCES

1. Asgill, S. (2012). The Nigerian extractive industries transparency initiative (NEITI): tool for conflict resolution in the Niger Delta or arena of contested politics? Critical African Studies, 4(7), 4-57.
2. Carrel, A. E., & Schoenbachler, D. D. (2001). Marketing executive MBA programs: A comparison of student and sponsoring organization decision considerations. Journal of Marketing for Higher Education, 11(1), 21-38. doi:10.1300/J050v11n01_02
3. Fianka. D & Perera, T. (2022). Key Challenges in Procurement Processes: A Case Study Of Nigeria Oil And Gas Sector, International Research Journal of Modernization in Engineering Technology and Science, Volume:04/Issue:08/August-2022.
4. Jha, J. K., & Singh, M. (2023). Who cares about ethical practices at workplace? A taxonomy of employees' unethical conduct from top management perspective. International Journal of Organizational Analysis, 31(2), 317-339.
5. Jones, G. R. (2007). Senior executives' personal values: the role personal values play in decisions regarding corporate philanthropy–a theoretical model. International Journal of Management and Decision Making, 8(2-4), 343-355.
6. Mcquaid, R. W., & Osborne, S. P. (2019). Factors and "illusions" influencing the choice of PFI-type public private partnerships Emerald. doi:10.1108/wjemsd-07-2018-0066
7. Obal, M. (2013). How Buyer-Supplier Relationships Can Lead to Suboptimal Adoption Strategies for Disruptive Technologies. Available at SSRN 2215232.
8. Opusunju, M. I., & Akyuz, M. (2022, January 1). Causal effect between balance of payment and foreign direct investment in oil and gas sector in Nigeria. Journal of Global Economics and Business, 3(8), 57–81. https://doi.org/10.31039/jgeb.v3i8.41
9. www.doi.org/10.56726/IRJMETS29291
10. Lysons, K., & Farrington, B. (2020). *Procurement and supply chain management*. Pearson UK.
11. Makabira, D. K., & Waiganjo, E. (2014). Role of procurement practices on the performance of corporate organizations in Kenya: A Case Study of Kenya National Police Service. *International Journal of Academic Research in Business and Social Sciences*, *4*(10), 369.
12. Georgieva, I. (2017). *Using Transparency Against Corruption in Public Procurement* (Vol. 167). Springer International Publishing AG.