

INFLUENCE OF STRATEGIC PROCUREMENT PRACTICES ON PROCUREMENT PERFORMANCE IN NYAMIRA COUNTY GOVERNMENT, KENYA

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Abstract

The purpose of the study was aimed towards investigating the influence of strategic procurement on procurement performance in Nyamira County. This has been necessitated by lack of proper efforts in the procurement performance as to issues of strategic procurement. The study therefore aimed to determine the influence of goal identification on procurement performance; determine the influence of objective setting on procurement performance; establish the influence of procurement technology on procurement performance procurement. The study made use of a case study research design aiming at procurements officers at the County offices in Nyamira and selected supplier firm staff to the county. The Chief procurement officer at the County was also targeted. In selecting employees of the county and contractors, simple random sampling was used while for the chief procurement officer, purposive sampling was opted. Employees were subjected to questionnaires; interview was conducted on the chief procurement officer and document checklist was also part of the data collection instruments. Data analysis was done through descriptive analysis; In testing, Pearson's correlations and regression analysis were used. Presentation of data was in form of tables. Results indicate that Goal identification, objective setting and procurement technology were a significant influence on procurement performance at Nyamira County. The study thus recommends that: Nyamira County management should provide specific and workable goal identification strategy for suppliers that include procurement requirements for purchased items. This will help in building the tenets and practice of strategic procurement for better procurement performance in the County. Also, the County management should offer cooperation with suppliers for procurement objectives. Nyamira County management should create mechanisms for a clear objective setting for suppliers' internal and external management. The audit will help to spur growth in the practice of strategic procurement for better procurement performance in the County. They should invest in procurement technology to help to improve the practice of strategic procurement for better procurement performance in the County. The national government

should proactively encourage the use of strategic procurement and in that regard should sponsor a bill that makes it mandatory to employ the use of strategic procurement in all county and national offices.

Keywords: Goal identification, objective setting, procurement technology, performance

I. INTRODUCTION

1.1 Background of the Study

Since virtually every organization purchase goods or services to operate, supply chain has attracted more attention than before due the massive potential that exist for improvement in gaining the competitive advantage thus reducing cost and better product or service performance, (Swinder& Seshadri, 2011). One of the tools for the firm's performance is strategic procurement which is perceived to be of benefit on the general performance of the organization. Unlike traditional purchasing driven by the desire to cut costs of purchase, short-term profit improvement, transactional rather than relationship behavior, and emphasis on price reduction. Strategic procurement planning, by contrast, explains the extent to which acquisition of goods and services, including subcontracting the whole processes to a third party provider, can bring better lasting shareholder value. It involves operating with a minimum number of suppliers, mutual negotiation with suppliers, and nurturing long-term relationships with the important suppliers. All the same, strategic procurement practices are tailored to produce improved procurement performance, (Ellram, 2013).

Strategic procurement is the process of generating sequence and reliability of operation that establishes lasting goals and general plan of action which enables the procurement task achieve its purpose. It therefore entails transfiguration of the organization's goals, mission, and objectives into measurable activities to enable budgetary planning and managing the procurement role (Doran & Kocabasoglu, 2012). In trying to understand Strategic procurement, it can be viewed from three different perspectives; Key suppliers management and development, Operation of internal procurement functions , coordination of procurement with interlinked functions within the organization, and efforts towards meeting or surpassing consumer expectations. It is viewed as one of the important function of the firm with the ability to; save cost, develop operational efficiency, access trust worth suppliers, improvement in the organization's product or service, sharing of best industry practices among others (Magnus, 2016).

Organization's management on the other hand greatly stands to use the clearly defined purpose and activities in comparing with the procurement results so that progress can be determined. More importantly the buying firm gets value for money through competitive procurement process from the available range of suppliers. For any purchase to take place in a strategic procurement, it has to start with what is needed in the organization thereby eliminating possibilities of wastes in the procurement process, (Van Weel, 2016).

Procurement performance is the analysis of efficiency and effectiveness of the result of procurement activities, where accomplishment of a given tasks are measured against preset known values such as; accuracy, completeness, cost, flexibility, speed, quality of the supplies among others. Performance is a reflection of an accomplished task, in a way that reliefs off the performer any liabilities contained in the contract. Performance management includes activities which make sure that goals are consistently being achieved in an effective and efficient way, (Knudsen, 1999). Indeed Procurement excellence is ever more showcasing its importance in achieving efficiency in operations. Effective measurement of procurement performance may look an easy task. However, looking at things critically, measuring procurement success is an uphill task.

Whereas it is possible to have performance measurement for other functions like Finance and Human Resource, it is not the obvious when it comes to the procurement function. The inability to determine performance of the procurement function has led to subjective decisions that have expensive implications to every firm. The need to develop sound methods of procurement performance in organizations has never been as coherent as it is presently. Postponement will put the already weakening performance into further jeopardy, reduced professionalism, and firms will keep on incurring needless costs (Swinder& Seshadri, 2011).

Strategic procurement for County Governments includes the following actions; precisely defining actual business needs, thoroughly analyzing and understanding the economics of the industry from which goods or services was supplied, understanding what degree of competition or partnering is appropriate based on the magnitude of potential savings and business risk from switching suppliers. Strategic procurement is a coordinated, holistic process that aligns actual business needs and requirements with service acquisition and then measures the performance, (Adhiambo, 2012).it is however not certain to tell the extent to which strategic procurement has positively impacted on procurement performance of Nyamira County; hence necessitating the need for the this study.

1.2 Statement of the Problem

Nyamira County has had numerous challenges as regards their procurement performance. According to the County procurement complaints sheet, suppliers have complained of extended lead time, late payment and ineffective tendering processes. The county government itself has complained of poor quality of supplied products and services and inflated prices. All these are supplemented by the Government of Kenya report (2017) that vindicated a drop in the general procurement performance of Nyamira county precisely on the procurement process, lead time and cost of goods.

County Governments in Kenya are increasingly confronted with superior universal competition, varying markets or business models, pressure to reduce costs, or price unpredictability among others. Organizations react differently to these problems by cutting on their expenditure, entering into virgin markets or considering partnerships deals, introducing unique products and services to the market, or by revamping the firms' structure so as to respond to new trends and opportunities. Such strategic actions have an effect on all functional levels of the County Governments where procurement is one of the key functional areas that contributes to achievement of these strategic programs, (Amelia S. & Pearson J. 2012).

A number of studies have been done to explore the field of procurement. Ondieki (2000) recommended to manufacturers in Nairobi to borrow a leaf from firms that have successfully laid down proactive procurement functions in place. However, the study did not pin down advantages associated with adopting strategic procurement practices. This research therefore intends to bring out various benefits accrued to organizations that adopt strategic procurement. Kakwezi and Sony (2010) identified procurement planning as a necessary element in service delivery, however, the study highlighted on service delivery closing out other elements of procurement like financial gains attributed to cost reduction. Conversely, Nantage (2011) confirmed that strategic procurement management has an unswerving effect on the financial performance of Banks in Uganda. It is essential to relocate the study in a whole new background to establish if the same recommendation is true among the County Governments in Kenya. It is obvious from the above studies that a number of researches has been done on procurement practices but sheds light on various issues and countries other than strategic procurement practices of County Governments in Kenya. The purpose of this study is to fill this gap in literature.

1.3 Research Objectives

1.3.1 General Objective

To establish the influence of strategic procurement practices on procurement performance in Nyamira County

1.3.2 Specific Objectives

This study will be driven by the following specific objective:

- To determine the influence of goal identification on procurement performance in Nyamira County
- To determine the influence of objective setting on procurement performance in Nyamira County
- To establish the influence of procurement technology on procurement performance procurement in Nyamira County

1.4 Hypotheses

H₀₁: Goal identification does not have significant influence on procurement performance in Nyamira County

H₀₂: Objective setting does not have significant influence on procurement performance in Nyamira County

H₀₃: Procurement technology does not have significant influence on procurement performance in Nyamira County

II. LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Theory of Planned Behavior

The theory of planned behavior is defined by Ajzen(1991)as the approach on the way to creating a behavior, and subjective norms. Theory of Planned Behavior is basically an extension of the theory of reasoned action (TRA) that considered a person or group of persons and what reasons they made to accrue in a bid to finally make a decision that then shaped a behavior or action. The TPB extension is characterized by accumulation of known behavior dominance, that

comprise of sentiments, personal standards, moral goals, together with true morals (Madden, Ellen, & Ajzen, 2012; Yi et al., 2015)

Assuming the counties in Kenya are persons purchasing commodities in the market, then the TPB can precisely be used to explain as to why strategic procurement is favored at the expense of the traditional procurement practices. This theory is therefore applied here to explain the conscious decisions to engage in strategic procurement.

2.1.2. Systems theory

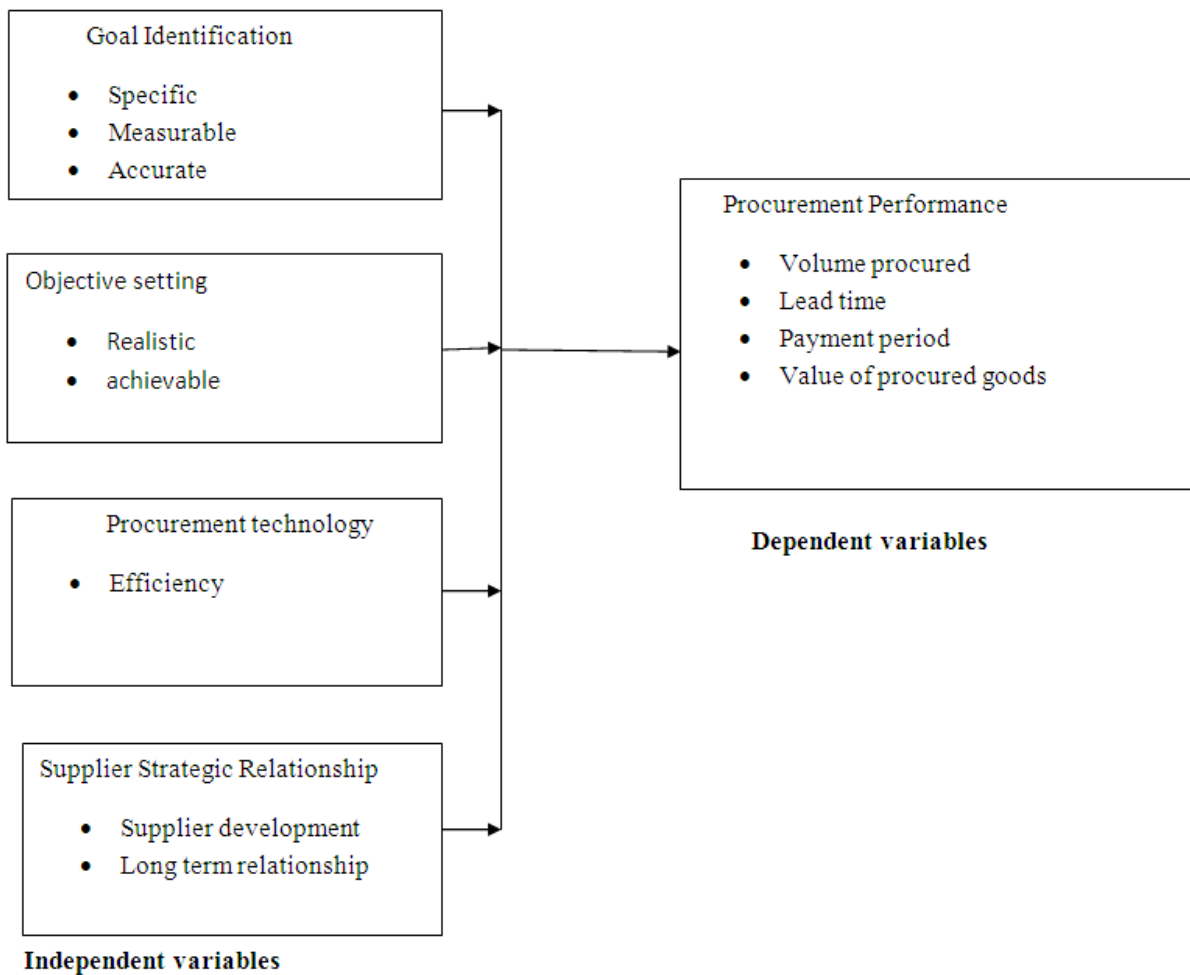
Application of this theory was originally in the science and engineering scope before finding way into management in 1950s. Psychologist Gestalt and Kurt Lewin, whose “field theory” of group dynamics call stress that the whole is greater than just adding its entire part, (Nwabuzor, 2005). In regard to this theory, an entity is regarded as a cluster of parts which are extremely interconnected and independent. A system oriented kind of management base their decisions keeping in mind the overall mission and objectives of the whole system.

An organization needs the parts so as to put in value to the organizations’ performance in general. Likewise, Value based managers call for purchasing officers to carry out processes that go beyond traditional “buying” processes and gain important information from the external surrounding or their clients and then pass it on to the right persons (Nwabuzor, 2005). The relevance of this theory in this study is that, an organization acquires inputs from the outside surrounding that is converted into outputs via a process referred to as throughput and then introduces it back to the world in the form of consumables. An entity will therefore require input providers (suppliers) in the form of information, materials or human capital.

2.1.3 Institutional theory

According to Scott (2004), institutions comprise of culture- cognitive and regulative parts that, together with related activities and resources give meaning to life. He goes ahead to shed more light on the three pillars of organizations including regulatory, normative and cultural cognitive. The normative pillar points at the norms and values, social responsibility being the basis of compliance. The cultural- cognitive pillar emphasizes on shared understanding. This theory is of great importance when focusing on the implementation of strategic procurement policy and practices a public entity. All these depend on the organizations culture and the extent to which there is support to the overall procurement strategy from the top management. (Brammer & Walker, 2007)

2.2 Conceptual Framework



2.3 Empirical Review

Rwoti (2015) noted that SRM enables procurement personnel in coming up with strategies for engaging suppliers and service providers so as to deliver value for money to the organization, and minimize risks of poor performance or non-delivery or non-availability. It hence enables the procuring entity concentrate its resources on right suppliers and avoid a scenario where they are being controlled by their supplier. Ensuring there is homogeneity in strategic contracts, and including industry accepted terms and language in important clauses such as confidentiality, attrition, liability, cancelation and more, will guarantee that all the legal, corporate and regulatory requirements are complied; minimizing risk exposure at various stages especially monetary consequences connected to hanging contracts.

Magnus, (2016) vindicated that an entity involving itself in strategic procurement is accrued to various benefits; a generally reduced quality cost as the preferred supplier offers goods or services that don't need further quality control checks, reduction of the holding cost as a reliable supplier delivers when materials are needed, input towards product and service betterment as innovations are spurred by the suppliers and buyers.

Kakwezi& Sony (2010) noted that, internal and external forces influence the ability with which organizations are able to achieve their procurement goals. Interdepartmental interactions, professionalism drive, staffing levels and budgetary allocation of resources, procurement regulations, and procurement organizational configuration whether centralized or decentralized, rules and guidance, and internal control policies, require concentration as they determine how the procurement function performs. Strategies are easy to come up with than to put them into use. Realization of practicable strategies may call for considerable patience from procurement managers.

According to Thai (2011) Public and (private for this discussion) procurement professionals more than often found it difficult in their line of duty. Their ability to realize the set procurement goals and policies is greatly influenced by external factors comprising of: Connections between different factors of the procurement process, various actors and sub-agencies within a department; kinds of goods, services and capital resources necessary for an agency's missions; Professional capacity of procuring staff; enrollment levels (e.g., ratio of procurement professionals to contract actions) and budget resources; centralization or decentralization of the organizational procurement structure; Procurement rules and regulations, internal controls and legal procedures. Undoubtedly procurement practitioners have continuously battled challenges brought forth by different environment elements that include; the legal environment, political environment, social-economic environment and organizational environment among other factors.

III. RESEARCH METHODOLOGY

3.1 Research Design

The study applied a case study research design; therefore, it is an in-depth analysis of Nyamira County. It is an investigation carried out on a single entity so as have an idea into the larger cases. The study intended to investigate the influence of strategic procurement on procurement performance in Nyamira County

3.2 Target Population

The population of the study consisted of the 20 staff members in the procurement office at the Nyamira County office. It targeted the 200 entities that supply their services to the County and the senior procurement officer (1) of the county making the sum total of targeted population to 221. Suppliers and employees are the ones directly involved in strategic procurement practices to improve procurement performance and is therefore make them suitable for their selection.

3.3 Sampling Procedure and Sample Size

The researcher arrived at the sample by simple random sampling in selecting 10 procurement staff members of Nyamira County and 98 suppliers of goods and services to the county bringing the total to 108 respondents. The sample frame used the Slevin's formula to get the sample. Purposive sampling was used to select the County chief Procurement officer as he/she had judgemental information based on his status and expertise in procurement matters at the county.

Table 1 Sample Size Table

Respondents	Population	Sample size
Procurement employees	20	10
Suppliers	200	98
Senior Procurement Officer	1	1

Total

221

109

3.4 Data Collection Instruments

Data was collected using questionnaires, document checklist and interview schedule. A structured Likert scale type questionnaire was used. According to Kothari (2014) Likert scale questionnaire is best for measuring attitudes. The questionnaire was administered to Nyamira County procurement officers and supplying employees.

3.5 Data Analysis and presentation

The researcher analyzed data using descriptive analysis and the data gathered systematically arranged to ease analysis. Response given in the questionnaire was allocated numerical value to assist in processing. Closed ended questionnaires were likewise assigned numbers. Data gathered from the interview schedule was analysed using narrative analysis with people quoted words rendered verbatim based on the variables of the study.

Conversion of data to numerical codes was done to stand for attributes of variables. Code categories are exhaustive and mutually exclusive. Quantitative description of data was done using descriptive statistics that include frequencies, and percentages through tables. This was conducted with the help of a computer programme-Statistical Package for Social Sciences (SPSS) version 22 for windows. In testing hypotheses, Pearson's correlation analysis and regression analysis was used.

IV. RESULTS AND DISCUSSION

4.1 Response Rate

The study sampled 106 staff out of the 108 target population. From the completed questionnaires, only 106 questionnaires were returned duly filled constituting a 98.1% return and response rate which is a percentage that is acceptable.

4.2 Inferential Statistics

Here, correlation and regression analyses were used.

4.2.1 Correlation Analysis

Pearson's Correlation Analysis was conducted to check for the relationship between the variables. See Table 2 for the result

Table 2 Pearson correlation Results

		Procurement performance	Objective setting	Procurement technology	Goal identification
Procurement performance	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	106			
Objective setting	Pearson Correlation	.625**	1		
	Sig. (2-tailed)	.000			
	N	106	106		
Procurement technology	Pearson Correlation	.548**	.400**	1	
	Sig. (2-tailed)	.000	.000		
	N	106	106	106	
Goal identification	Pearson Correlation	.721**	.358**	.501**	1
	Sig. (2-tailed)	.000	.005	.000	
	N	106	106	106	106

To inspect the correlation between the two variables in the study, Pearson correlation analysis was conducted. The constructs were measured via summated scales from both the strategic procurement constructs and the procurement performance constructs. In explaining the r-values, Wong and Hiew (2005), had observed that the correlation coefficient value (r) that is scored from 0.10 to 0.29 is taken as weak, then from 0.30 to 0.49 is taken as a medium score whereas that from 0.50 to 1.0 is taken as strong an acceptable. Nevertheless, based on the study by Field (2005), correlation coefficient must not surpass 0.8, to keep away multicollinearity problems. Subsequently, the largest correlation coefficient for the present study is 0.721 which does not surpass 0.8, and hence there exist no multicollinearity problem in this research (Table 2).

The independent variables and dependent variables had a positive correlation with Goal identification of strategic procurement process having the greatest correlation of ($r=0.721$, $p<0.01$) followed by Objective setting in strategic procurement process with a correlation of ($r=0.625$ $p<0.01$) while Procurement technology had the least correlation of ($r=0.548$ $p<0.01$). This shows that all the variables (Goal identification, Objective setting and procurement technology) are statistically significant at the 99% confidence interval level 2-tailed and applicably have a positive relationship with the dependent variable (Procurement performance).

4.2.2 Regression Analysis Results

As a portion of the results analysis, Regression Analysis was done to test the hypotheses. The results is as seen on Tables 3, 4 and 5

Table 3 Model Summary^b

Model	R	R Square	Adjusted R Square	Sts. Error of the Estimate
1	.852 ^a	.768	.743	.176

a. Predictors: (Constant), Procurement technology, Goal identification, Objective setting

b. Dependent Variable: Procurement performance

From Table 3; R was observed to be 852, exhibiting an improvement of the results. R shows the relationship linking the observed and expected scores from which dependable variables are characterized. R extends to 1 from -1 (Wong and Hiew, 2005). The total unqualified rate of R designates the power, with superior unqualified rates demonstrating a more powerful link. Hence, the R rate; 852 exhibits a stronger bond amid observed and expected rates in a positive

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direction. The coefficient of achieving the rate of R^2 was 0.743, showing that the variation of 74.3 per cent in dependent variable (Procurement performance) was as expected by independent variables (Procurement technology, Goal identification, Objective setting)

Table 4 ANOVA^b

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	244.703	5	63.096	84.301	.00 ^a
	Residual	12.801	231	.764		
	Total	257.504	236			

a. Predictors: (Constant), Procurement technology, Goal identification, Objective setting

b. Dependent Variable: Procurement performance

The F-statistics produced (F =84.301.) was found to be at 5 per cent (Sig. $F < 0.05$), hence justifying the appropriateness of the model and consequently, there is statistically important link between Procurement technology, Goal identification, Objective setting, and Procurement performance

Table 5 Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.727	.351	.287	7.108	.000
Goal identification	.278	.074	.173	2.661	.004
Objective setting	.284	.085	.324	4.473	.000
Procurement technology	.329	.069	.352	5.209	.000

a. Dependent Variable: Procurement performance

From table 5, the t-value of constant produced ($t = 7.108$) was significant at .000 per cent level (Sig. $F < 0.05$), thus confirming the fitness of the model. Therefore, there is statistically significant relationship between Procurement technology, Goal identification, Objective setting, and Procurement performance.

Summary of Hypotheses Testing Results

as of: Regression Model

$$QSD = \beta_0 + \beta_1 (X_1) + \beta_2 (X_2) + \beta_3 (X_3) + e$$

Therefore,

$$QSD = 2.717 + .163 (X_1) + .314 (X_2) + .342 (X_3)$$

Thus,

Table 6 Summary of Hypotheses Testing Results

Hypotheses	Coefficient Values	Conclusion
H ₀₁ : Goal identification has no statistically significant effect on procurement performance at Nyamira County;	$\beta_{1=.173}$ P=0.004	Rejected
H ₀₂ : Objective setting has no statistically significant effect on procurement performance at Nyamira County	$B_{2=.324}$ P=0.000	Rejected
H ₀₃ : Procurement technology has no statistically significant effect on procurement performance at Nyamira County	$B_{2=.352}$ P=0.000	Rejected

V. CONCLUSSIONS AND RECOMMENDATIONS

Based on the objectives and findings of the study, the following are the conclusions. Based on the first objective, it can therefore be concluded that Goal identification was a significant influence on procurement performance at Nyamira County. Based on the second objective, it can hencebe concluded to mean, objective setting of procurement process was an important influence on procurement performance at Nyamira County. Based on the third objective, it can therefore be concluded that procurement technology in the strategic procurement process was a significant influence on procurement performance at Nyamira County.

Based on the objectives and conclusions, this study recommends; Nyamira County management should provide specific and workable goal identification strategy for suppliers that include procurement requirements for purchased items. This will help in building the tenets and practice of strategic procurement for better procurement performance in the County. Also, the County management should offer cooperation with suppliers for procurement objectives. Nyamira County management should create mechanisms for a clear objective setting for suppliers' internal and external management. The audit will help to spur growth in the practice of strategic procurement for better procurement performance in the County.

Nyamira County management should invest in procurement technology to help to improve the practice of strategic procurement for better procurement performance in the County. The national government should proactively encourage the use of strategic procurement and in that regard should sponsor a bill that makes it mandatory to employ the use of strategic procurement in all county and national offices.

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