



INFLUENCE OF PROCUREMENT PRACTICES ON ORGANIZATION PERFORMANCE IN PRIVATE SECTOR IN KENYA.: A CASE STUDY OF GUARANTY TRUST BANK KENYA LTD

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ABSTRACT

Procurement practices integrate various firm's operations and support functions, synchronizing production with new orders, purchasing with demand, scheduling and shipping with customer requirements. The main objective of this study was to establish the influence of procurement practices on an organization's performance in the private sector in Kenya. This study employed a descriptive approach on the influence of procurement practices on the performance of private sector firms in Kenya. The target population for this research study was the 137 employees of GT Bank, Nairobi Headquarters from different functional units. This study had a sample size of 42 respondents drawn from among the employees of GT Bank Nairobi Headquarters. Stratified sampling was applied in grouping the respondents. The study employed the use of questionnaires as the principle data collection tool to collect views from the respondents. Descriptive statistics analysis and multiple regression was used. The results of the indicated that procurement practices, E-procurement and contract management influences organizational performance at private sectors. The study also found that the organization performance at private sectors have improved over the past five years. The study recommends the development and issuing of operational guideline, procedures and task descriptions which provide authority to the purchasing department in private sectors. The study further recommends decisions on outsourcing, establishing long-term contracts and contacts with certified and or preferred suppliers, adopting a supplier strategy based on multi-versus single sourcing, making investment decisions and related to policies concerning transfer pricing and intercompany suppliers.

Keywords: procurement practices, e-procurement, organizational performance, contract management

INTRODUCTION

Modern procurement practices are dynamic and interconnected networks that are gradually lengthening and globe-spanning (Christopher *et al*, 2012). Procurement practices integrates various firm's operations and support functions, synchronizing production with new orders, purchasing with demand, scheduling and shipping with customer requirements (Brien, 2011). According to O'Brien, (2011) when well-implemented procurement practices in an organization, forms an efficient, quick and accurate management tool that reduces cycle time and builds reliability thereby impacting positively on an organizational performance.

Procurement is an ever-growing means of conducting business in many industries around the world. In their discussion of competitive purchasing strategies required for the twenty-first century, Monczka and Morgan (2000) stated that firms must maximize the use of procurement practices based decisions including e-procurement in every aspect of the business, linking across all members of the supply chain, increasing the speed of information transfer, and reducing non-value adding tasks. Clearly, the use of strategic based procurement has the potential to significantly impact national economies as well as the competitive position of individual firms.

Despite the explosion in its use, procurement is a relatively old phenomenon; therefore a sound definition for procurement strategy does exist. The construct, procurement practices represents a theoretical fusion of definitions of procurement and traditional purchasing strategy, which currently exist in the literature. Watts, et al. (1992) defined procurement practices as the pattern of decisions related to acquiring required materials and services to support operations activities that are consistent with the overall corporate strategy. Carr and Smeltzer (1997) stated, procurement practices relate to the specific actions the purchasing function may take to achieve its objectives. According to Giunipero and Sawchuck (2000), procurement “comprises the actions taken by the purchasing organization to integrate supply chain in order to reduce costs and time and increase productivity. Others have concluded that there is confusion as to what exactly is meant by strategic purchasing and there is still a long way yet to go before Procurement, as a function, becomes truly strategic (Marshall & Lamming, 2007).

Globalizing companies respond to the challenges of organizational performance through the implementation of procurement practices (Robson, 2013). Procurement practices provides the right metrics and key performance indicators that can aid the global firm when juggling performance, resources, costs and operational logistics from relocated departments and manufacturing facilities (Shah, 2010). Procurement practices provide integration to globalizing companies but they do not provide quick fix to all market penetration and other business infrastructure (Gunson, 2010).

Before going global, private sector organizations have to ensure that their systems are solidified and streamlined domestically, otherwise their internationalization efforts will flounder (Brien, 2011). A company’s internal operations must be fully integrated at home before adding the complications of a global expansion (Shah, 2013). According to the United Nations, (2011) the ultimate objective of the private sector, regardless of their character, nature and eventual original purpose, is to make substantial contributions toward the creation of a better and more stable global community. This ultimate objective is best achieved primarily through a thorough dedication to the achievement of four main goals, that is, peace education, environmental protection, human rights and disarmament.

According to Singhal, (2011) disruptions in procurement practices at a global level devastate corporate performance. Poorly coordinated procurement practices do long-lasting damage to companies’ stock prices and profitability and need to be more thoroughly addressed by supply chain continuity planners (Christopher *et al*, 2008). Internationalization of business leads to increased vulnerabilities in the organizational performance though, sometimes the unpredictable result of disasters like earthquakes or terrorist acts, often could be prevented by better risk management.

Many companies in the private sector in Kenya, and Africa as a whole, have taken gigantic steps to dedicate themselves toward the achievement of the goals outlined by the United Nations (UN, 2011). In order to achieve these objectives, companies have aspired to establish competent structures that ensure efficiency and effectiveness in their service delivery mechanisms (Jordan, 2013).

The growth of private sector organizations has been phenomenal in Kenya mainly because of the ability to contribute to the GDP by a big margin (Otieno, 2010). Private organizations in Africa, particularly in Kenya, have been able to reach groups that the government and other agencies cannot in terms of income generation and poverty eradication thus giving them the legitimacy to act on behalf of the poor (Muganda, 2012). Procurement practices such as contract management and resource allocation have posed a major challenge in the performance of the private sector organizations in Kenya causing a decline in their eventual contribution to the National GDP (Themistocleous, 2010).

Statement of the Problem

Procurement practices touch many core aspects of a company’s operations and, hence, their successful deployment and use are critical to performance and survival (Markus *et al*, 2013). The industry’s procurement practices are fragile and predisposed to regular discontinuities. They are fraught with recurrent delays and occasional inability to deliver the produce to the destination markets (WB, 2010). Dias, (2012) indicates that the vulnerabilities in the private sector evidenced in the erratic shedding and re-employment of staff when faced with downstream and upstream linkage discontinuities thereby affecting organizational performance.

Regardless of the effort by the private industries in developing countries, like Kenya and development partners like World Bank to improve performance of the procurement function, procurement is still marred by shoddy works, poor quality goods and services (WB, 2012). This perennial problem has precipitated a decline of procurement/supply performance of enormous private companies (Sanjay, 2010). Failure to implement or delayed implementation of recommended procurement practices has resulted in unnecessarily high operation costs, poor inventory control, unacceptable supplier appraisals standards, uncoordinated business activities, and failure to attract and retain experienced and skilled personnel in the procurement positions, thus affecting the function's performance (Mugambi, 2011).

According to World Bank (2011) Only about a third of managers participate in advocating for structured procurement practices, which is what you would expect someone managing the supply chain to do. Just 20% claim to be communicating use of business insights in enhancing procurement practices; only 17% could even tell in what segment procurement practices fall in their companies (Hayton, 2010). The effect of this is that very few organizations have been able to add value, efficiency and effectiveness through proper procurement as different models have shown how procurement process has a link to improved organizational performance (DTI, 2012).

Therefore, the purpose of this study shall be to identify the effect procurement practices on the organizational performance of the private industry so as to come up with viable solutions to the same. This will be a further inquiry according to Otieno (2012) procurement functions of most entities do not comply to set procurement practices and performance procedures, leading to irregular and subjective decisions that have had costly consequences for many entities, and the country at large. It is in the interest of the study that financial performance should not be the only measure to conclude the performance of the procurement function thus intangible performances like quality of procured goods and services, timely delivery of orders, customer satisfaction, dependability, flexibility and quality of employees should all be included (Atkinson, 2006) hence the need for the study.

Objectives

The main objective of this study was to establish the influence of procurement practices on an organization's performance in the private sector in Kenya. This study aimed to achieve the following four specific objectives:

- i. To establish how performance measurement influences organizational performance in the private sector in Kenya
- ii. To determine how e-procurement operations influences organizational performance of the private sector in Kenya
- iii. To examine how procurement planning influences organizational performance of the private sector in Kenya.
- iv. To ascertain whether contract management influences organizational performance of the private sector in Kenya

Research Questions

Towards the end, this study sought to find answers to the following key questions:

- i. How does performance measurement influence organizational performance in private sector in Kenya?
- ii. In what ways does e-procurement operation influence organizational performance of private sector in Kenya?
- iii. How does procurement planning influence organizational performance of private sector in Kenya?
- iv. To what extent does contract management influences organizational performance of private sector in Kenya?

Theoretical Review

There are a number of theories that explain the influence of procurement practices to an organization performance. The theories discussed in this section include the planning theory and the contract theory.

Planning Theory

Hume is generally attributed with drawing attention to the ought distinction: what is does not necessarily lead to what should be (Wenz, 2013). Although what is may place restrictions on what can be, our human capacity to reflect on possibilities and make choices means that what is and what should be are connected

by values. This connection exists whether it is recognized or not. Where applications of values are not made explicit, they are implicit in underlying cultural conditioning. The fundamental need for a position and a meaning for our lives and for our species dominates whatever system of thought we espouse. We cannot exist conceptually without such cosmologies, yet many people are unaware of the values upon which they have founded their structure of meaning (Palmer, 2012).

Recognizing this evaluative connection is crucial for planning. Due to its future orientation, planning influences what will/can be. In a just society, it must consequently raise the question of what should be by acknowledging the role of values. What is corresponds to knowledge that is held - what ought to be corresponds to actions prior to their taking place. In consequence, planning relates to the linkage: value. It therefore has a normative aspect. This normative consideration must be integrated into planning on both theoretical and practical levels. In addition, recognizing planning as an "intervening variable" suggests a need to recognize the importance of multiple values.

In consequence it is necessary to consider how these values can be determined and how they can be acted upon. In a sense, then, planning is paradoxical: it is concerned with understanding the activity and process itself, and is therefore descriptive. Yet simultaneously, it is concerned, in a pro-active way, with the formation of future states, and is therefore prescriptive (Wachs, 2013)

The Contract Theory

In economics, contract theory studies how economic actors can and do construct contractual arrangements, generally in the presence of asymmetric information. Because of its connections with both agency and incentives, contract theory is often categorized within a field known as Law and economics. One prominent application of it is the design of optimal schemes of managerial compensation. (Laffont & Mrtimort, 2012).

A standard practice in the microeconomics of contract theory is to represent the behaviour of a decision maker under certain numerical utility structures, and then apply an optimization algorithm to identify optimal decisions. Such a procedure has been used in the contract theory framework to several typical situations, labeled moral hazard, adverse selection and signaling. The spirit of these models lies in finding theoretical ways to motivate agents to take appropriate actions, even under an insurance contract.

The main results achieved through this family of models involve: mathematical properties of the utility structure of the principal and the agent, relaxation of assumptions, and variations of the time structure of the contract relationship, among others. It is customary to model people as maximizers of some von Neumann–Morgenstern utility functions, as stated by expected utility theory (Lysons, 2010).

Recent experience with outsourcing of high-risk, complex tasks has brought into question the results of the standard contracting literature. The crucial, but typically implicit, assumption in contract theory is that the incentive contract is costlessly enforceable and that the contractor can be held accountable for delivery of any contracted services, typically through the courts. However, this is not always the case. The poor service provided by contractors in Iraq (Krugman, 2013) has lead many in the military to question their use. There are two issues – enforceability and accountability. In such extreme situations, the organization cannot enforce the contract in a timely fashion nor is it able to hold them accountable in any meaningful way if the contract failure ultimately results in failures.

The standard contracting approach suggests that if a contractor is being asked to bear risk, they will incorporate a risk premium into the contract. Again, this is a reasonable (theoretical) solution to a reasonable amount of risk. However, if the risk is extreme, there may not be a risk premium high enough to cover this kind of risk (Wenz, 2011).

Conceptual Framework

Conceptual framework is a scheme of concepts/ variables which the study operationalizes in order to achieve the set objectives. This is illustrated in figure 1. The independent variables in this are the performance measurement, e-procurement operations, procurement planning and contract management and how they influence the organization performance in private sector. The performance of the organizations in private sector will therefore be a result of the changes that will take place in each of the four independent variables mentioned above.

Independent Variable

Dependent Variable

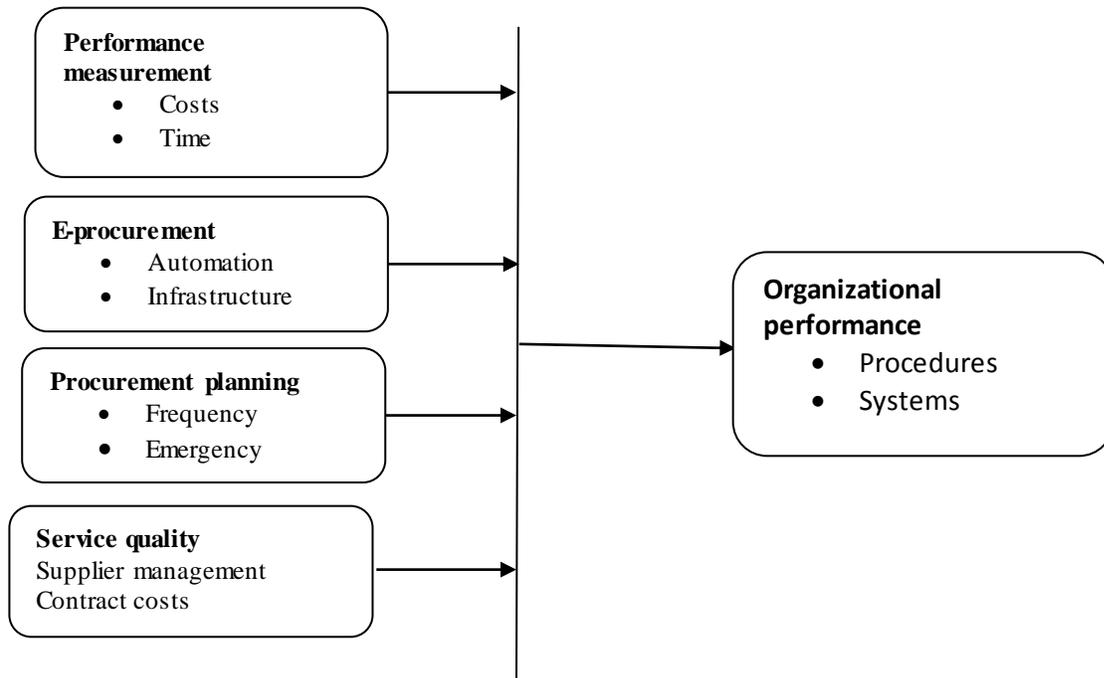


Figure 1. Conceptual Framework

RESEARCH METHODOLOGY

This study employed a descriptive approach on the influence of procurement practices on the performance of private sector firms in Kenya. The target population for this research study was the 137 employees of GT Bank, Nairobi Headquarters from different functional units.

According to Mugenda & Mugenda (2003), a sample size of 30 % is a good representation of the target population and hence the 30% is adequate for analysis. This study adopted sample size of 42 which constitutes 30% respondents drawn from among the employees of GT Bank as recommended by Mugenda & Mugenda (2003), Nairobi Headquarters. Stratified sampling was applied in picking the respondents from among the employees. Each of the departments was treated as a separate stratum from where the respondents were selected according to the proportion of the employees of GT Bank. The process of selecting the 42 respondents is illustrated in Table 1.

The study employed the use of questionnaires as the principle data collection tool to collect views from the respondents.. The questionnaire consisted of two sections; where the first part mainly contained demographic information while the second part focused on the influence of procurement practices on the organizational performance of private sector in Kenya. Secondary data was obtained from relevant literature review such as dissertation, journals, magazines and internet. According to Cooper & Schindler (2011), there are many methods of data collection. Out of the 42 questionnaires administered, 36 questionnaires were fully completed and returned making a response percent of 85.7% .

In order to test the efficiency of the data collection tool, a pre-test with some respondents of the questionnaires was conducted. For this study, 1% of the population which translates to 3 respondents out of 310 total staff members was used for the pilot study. The results from the pretest were analyzed using SPSS to establish the internal consistency of the items of each independent variable.

Table 1. Target population and Sample Size

No. of Employees	No of Employees	Sample Size	%
Human Resource	4	1	30
Public Relations and External Affairs	4	1	30
Projects	3	1	30
Administration	3	1	30
Audit	4	2	30
Information Technology	8	3	30
Operations	42	12	30
Credit & Recoveries	14	5	30
Finance & Treasury	11	3	30
Legal	4	2	30
Executive	7	2	30
Business	30	9	30
Total	137	42	30%

Reliability of the questionnaire was evaluated through Cronbach's Alpha which measures the internal consistency. Cronbach's alpha was calculated by application of SPSS version 20 for reliability analysis. Staff Competence had the highest reliability ($\alpha=0.814$) followed by Information Technology Infrastructure ($\alpha=0.803$), Government Policy ($\alpha=0.803$), then Top Management Support ($\alpha = 0.765$) and Budget Allocation ($\alpha=0.754$). This illustrates that all the five scales were reliable as their reliability values exceeded the prescribed threshold of 0.7 (Mugenda & Mugenda, 2008).

The organised data was interpreted in terms of averages and standard deviation to objectives using assistance of computer packages especially SPSS (version 21) to communicate research findings.

In order to identify relationship between independent and dependent variables multiple regression was used. Influence of procurement practices in organizational performance was X (independent variables) and Y (dependent variable) respectively.

The regression equation is:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where Y is the dependent variable (procurement practices), β_0 is the regression constant, ε is the error term, $\beta_1, \beta_2, \beta_3,$ and β_4 are the coefficients of independent variables, X_1 is performance measurement, X_2 is E-procurement, X_3 is procurement planning, and X_4 is contract management.

In order to test the level of effect of each of the independent variables on the dependent variable Anova test was used, the reason for doing an ANOVA was to see if there was any difference between groups on some variable.

RESULTS AND DISCUSSION

Demographic Characterization of the Respondents

Gender of the Respondents

The study sought to determine the gender distribution of the respondents in order to establish if there is gender balance in the positions indicated. The findings were as indicate in Figure 2. According to the findings, majority (56%) of the respondents were male while the rest (44%) were female. This implies that though there is gender distribution in occupation most of the positions are occupied by the male.

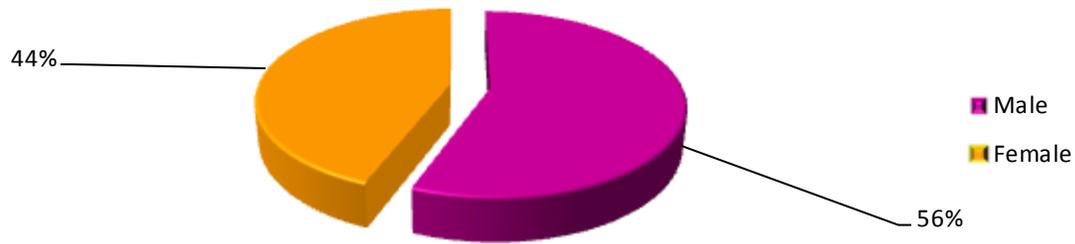


Figure 2: Gender of the Respondents

Age of the Respondents

The study further established respondent’s age distribution categorized in a certain range. This was to determine how age relates to procurement practices based on experience. The findings were as indicated in Figure 3. From the findings shown in figure 3, most (44%) of the respondents’ were within the age bracket of 26-35 years, 30% were aged between 35-45 years, 15% were 45 years and above while the rest (11%) were aged between 18-25 years. This implies that most of the employees are energetic such that they can adjust to the strategies adopted within the organization and also that they are experienced enough to give appropriate answers concerning the study.

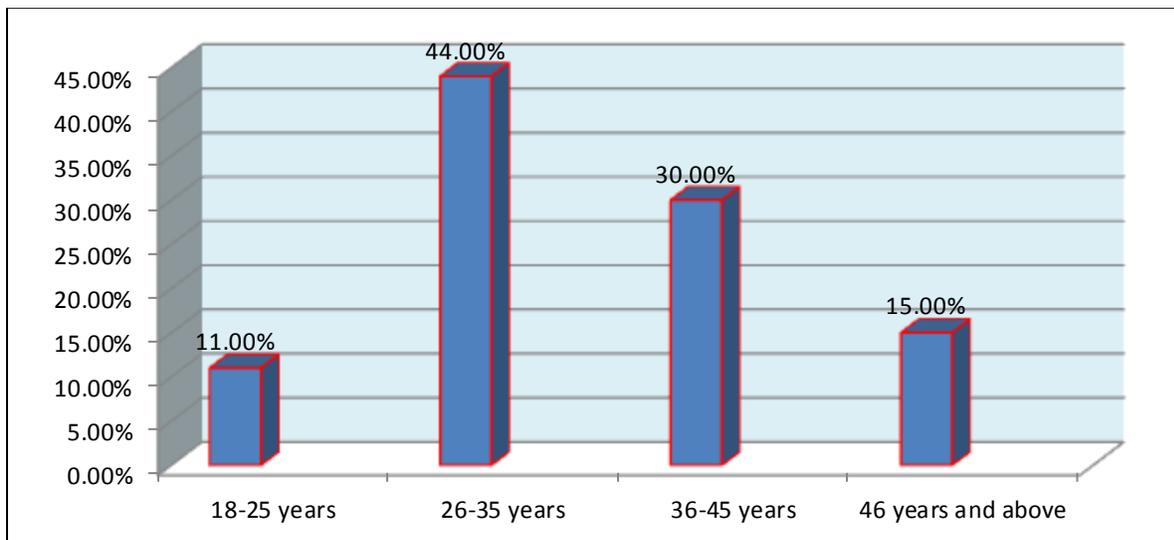


Figure 3: Age Bracket of the Respondents

Duration in the Organization

The study found it necessary to find out the number of years in which the respondents had worked in organization. This was to determine if their responses could be relied upon to make study conclusions about the variables under concern due to their longevity in the organization. The findings were as indicated in Figure 4.

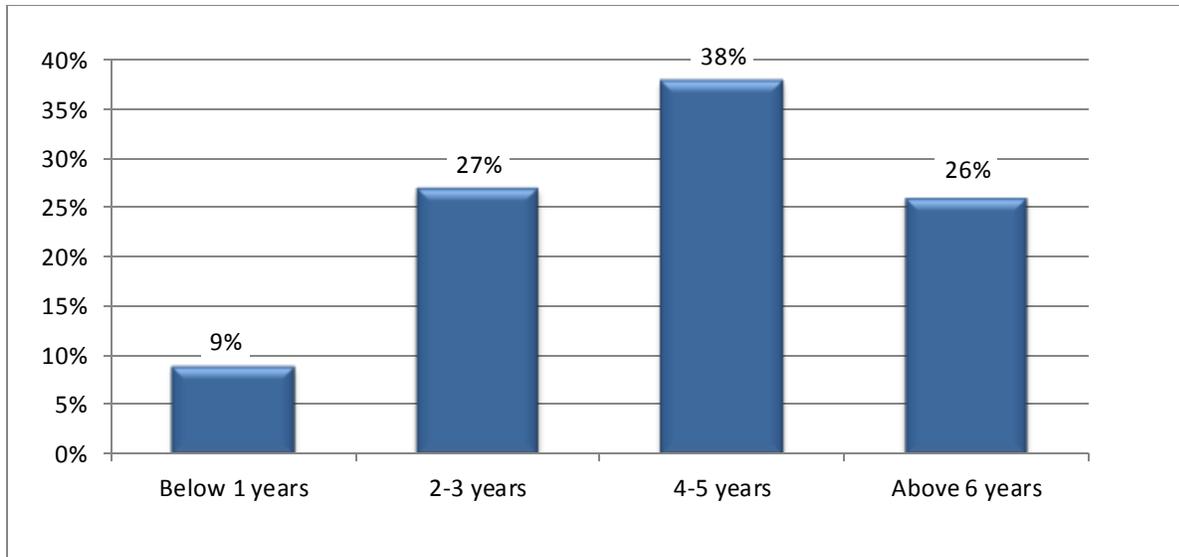


Figure 4. Duration in the Organization

From the findings, most (38%) were in the organization for 4-5 years, 27% for 2-3 years, 26% for more than 6 years while the rest (9%) had worked in the organization for less than an year. This implies that majority of respondents have been in the organization for a good duration and could therefore familiar with the procurement practices. Also this implies that these are experienced employees who could have given the relevant information to the study area.

Highest Level of Education

This section sought to determine the respondents’ level of education. The researcher also requested the respondents to indicate their highest level of the academic qualification. This was to ascertain if they were well equipped with the necessary knowledge and skills in their respective areas of specialization. Figure 5 shows the findings of the results.

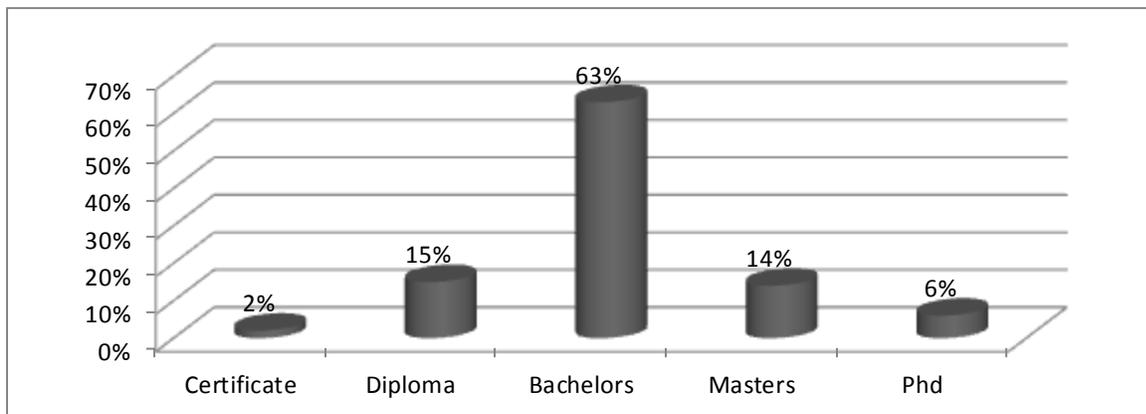


Figure 5. Level of Education

From the Figure 5 majority (63%) of the respondents had bachelors, 21% had higher diploma, 13% had masters and 6% had PhD while the remaining 2% had certificate as their highest level of education. The findings therefore indicate that the respondents have the capacity, skills and management acumen to conduct procurement activities successfully in their organizations.

Effects of Performance Measurement on Organizational Performance

The researcher sought to investigate the influence of performance measurement on organizational performance in the private sector. To achieve this, the respondents were required to indicate to what extent performance measurement affect the organizational performance. The summary of the findings is as presented in Table 2.

Table 2: Extent of Performance Measurement on the Organizational Performance

	Frequency	Percent
Very large extent	6	16.7
Large extent	18	50
Moderate extent	7	19.4
Less extent	2	5.6
No extent	3	8.3
Total	36	100.0

Majority of the respondents 50% indicated that procurement practices influenced organization performance to a large extent. This was followed by 19.4% of respondents who indicated that procurement practices influenced organization performance to a moderate extent, 16.7% indicated a very large extent, 8.3% indicated no extent while the rest represented by 5.6% indicated a less extent. It can be stated therefore procurement practices influenced organization performance. Anderson and McAdam (2014) analyse various performance measurement approaches that are used in procurement function, such as the: performance measurement matrix, the balanced supply chain scorecard, results and determinants model, measures for time-based competition, performance pyramid, Scandia navigator, performance measurement framework, Brown’s framework and performance prism.

The study also sought to find out the Influence of Performance Measurement on Organizational Performance. The study aimed at finding out the influence of performance measurement on organizational performance in the private sector. The statements were on a scale of 1-5 where 1=strongly disagree, 2-disagree, 3-neither agree nor disagree, 4=agree and 5=strongly agree. The findings are summarized in Table 3.

Table 3: Influence of Performance Measurement on Organizational Performance

	Mean	SD
The organization performs frequent performance measurement	4.02	0.415
Performance measurement is costly	3.37	0.602
Performance measurement wastes time	2.09	0.341
Performance measurement helps in saving money that would have been lost	4.28	0.203
Performance Measurement is outmoded	3.06	0.441

From the findings shown in table 3 the respondents agreed that performance measurement helps in saving money that would have been lost (4.28). The further agreed that the organization performed frequent performance measurement as shown by a mean of 4.02. They neither agreed nor disagreed on whether performance measurement was costly (3.37). They also did not agree or disagree on whether performance measurement was outmoded (3.06). They however disagreed that performance measurement wasted time (2.09). This implies that performance measurement is very crucial in organization performance in private sector. This concurs with Anderson and McAdam (2014) who found that performance measurement such as matrix, the balanced supply chain scorecard, results and determinants model, measures for time-based competition, performance pyramid, Scandia navigator, performance measurement framework, Brown’s framework and performance prism influences organization performance.

Effects of E-Procurement on Organizational Performance

The study further sought to investigate the influence of E-procurement on organizational performance in the private sector. To achieve this, the respondents were required to indicate to what extent performance measurement affects the organizational performance in the private. The summary of the findings is as presented in table 4.

Table 4: Extent to Which E-Procurement Affect the Organizational Performance

	Frequency	Percentage
Very great extent	10	27.8
Great extent	14	38.9
Moderate extent	6	16.7
Low extent	4	11.1
Very low extent	2	5.6
Total	36	100

From the findings shown in Table 4, 38.9 % of respondents indicated that E-procurement affected the organizational performance to a great extent. 27.8% indicated a very great extent effect, 16.7 indicated a moderate extent effect, 11.1% said it affected to a low extent while the remaining 5.6 % it affected to a very low extent. This is to show that E-procurement had an effect on the organizational performance. This is consistent with Barbieri and Zanoni (2005) study alludes to the fact that many companies have improved performance from their implementation of e-procurement system. The adoption of Web-based e-procurement system in the B2B purchasing transaction allows firms to reduce transaction costs, improve internal procurement process efficiency, and increase collaboration with suppliers. The benefits of technology-based supports for procurement activities can be organized into two broad categories: organizational level and inter-organizational level. In organizational level, previous studies suggested that implementing e-procurement system could make company’s procurement process more efficient and effective through automating procurement process, reengineering the internal processes and enhancing inter-organizational coordination.

This is consistent with Cranfield (2000) study in the effects of E-procurement on organizational performance. He stated that the internet, via e-procurement, has made procurement more effective and efficient in the sense that purchasing of goods and services by organizations is made easier, faster and cheaper. The purpose of e-procurement is to allow the purchasing function to focus on more value adding activities such as serving customers rather than on operational issues. The potential of e-procurement is so great that it has turned the formerly looked down upon traditional function into a competitive weapon.

The study aimed at finding out the influence of E-procurement on organizational performance in the private sector. The statements were on a scale of 1-5 where 1=strongly disagree, 2=disagree, 3=neither agree nor disagree, 4=agree and 5=strongly agree. The findings are summarized in table 4.5.

Table 5: Influence of E-Procurement on Organizational Performance

	Mean	SD
Space is unlimited for inventory	4.21	0.347
Inventory control is a huge work load	3.42	0.155
Inventory control involves a lot of finance	4.05	0.137
All inventories are critical to operations	4.32	0.136
Inventory stream in regularly	4.26	0.483

From the findings shown in table 5 the respondents agreed that all inventories were critical to operations (4.32) they also agreed that inventory streamed in regularly (4.26). They further agreed that space was unlimited for inventory (4.21) and that inventory control involved a lot of finance 4.05. They neither agreed nor disagreed on whether Inventory control was a huge work load (3.42). This implies that

inventory in private sector is managed accordingly and therefore translating to organizational performance.

Effects of Procurement Planning on Organizational Performance

The study further found it necessary to investigate the influence of procurement planning on organizational performance in private sector. The findings were as discussed in the subsections herein.

The researcher required the respondents to indicate to what extent performance measurement affected the organizational performance of private sector. The summary of the findings is as presented in Table 6.

Table 6: Extent of Effect of Procurement Planning on Organizational Performance

	Frequency	Percentage
Very great extent	8	22.2
Great extent	16	44.4
Moderate extent	6	16.7
Low extent	5	13.9
Very low extent	1	2.8
Total	36	100

From the findings shown in Table 6, 16(44.4%) of respondents indicated that procurement planning affected the organizational performance to a great extent. 8(22.2%) indicated a very great extent effect, 6(16.7%) indicated a moderate extent effect, 5(13.9%) said it affected to a low extent while the remaining 1(2.8 %) it affected to a very low extent. This implies that procurement planning had an effect on the organizational performance.

This concurs with Rotich (2011) that procurement plans are formulated and reviewed bi-annually. This brings focus and accountability in the procurement process which enhances efficiency and effectiveness of the procurement function. Equally, Mamiro (2010) points out that one of the major setbacks in procurement is poor planning and management of the procurement process which include needs that are not well identified and estimated, unrealistic budgets and inadequacy of the skills of staff responsible for procurement.

The study also aimed at finding out the influence of procurement planning on organizational performance of private sector. The statements were on a scale of 1-5 where 1=strongly disagree, 2-disagree, 3-neither agree nor disagree, 4=agree and 5=strongly agree. The findings are summarized in Table 7.

Table 7: Influence of Procurement Planning on Organizational Performance

	Mean	STD
Procurement planning is done every fiscal year	4.43	0.673
Procurement planning is a smooth exercise	2.02	0.353
Procurement planning takes into account all the purchases	3.45	0.375
There are no emergency purchases	2.12	0.811
Procurement planning is not affected by bureaucracy	2.11	0.501

As shown in Table 7, the respondents agreed with the statements that procurement planning was done every fiscal year (4.43). They neither agreed nor disagreed whether agreed Procurement planning takes into account all the purchases (3.45). They disagreed with the statement that there were no emergency purchases (2.12), procurement planning was not affected by bureaucracy (2.11) and procurement planning was a smooth exercise (2.02). This implies that procurement planning is very critical and contributes significantly to organization performance in private sector. This concurs with Duncombe & Searcy (2009) that private organizations are governed by a complex set of laws and regulations their procurement systems are designed to achieve three goals that is ensuring the best price; providing open and fair competition among vendors and preventing favoritism and corruption.

Effects of Contract Management on Organizational Performance

The researcher sought to investigate the influence of contract management on organizational performance in private sector. To achieve this, the respondents were required to indicate the extent at which contract

management affected the organizational performance. The summary of the findings is as presented in Table 8.

Table 8: Extent contract management affect Organizational Performance

	Frequency	Percentage
Very great extent	12	33.3
Great extent	17	47.2
Moderate extent	4	11.1
Less extent	2	5.6
Not at all	1	2.8
Total	36	100

The findings in Table 8 shows that 47.2% indicated that contract management influenced organizational performance to a great extent. 33.3% indicated that it affected to a very great extent 11.1 showed an effect of moderate extent, 5.6% showed an effect of low extent while 2.8% indicated that it did not affect at all. This implies therefore that contract management influenced organizational performance in private sector. In the presence of uncertainty, therefore, contractual relationships involve a moral hazard problem. In order to overcome the moral hazard problem, the organization may transfer risk to the entire private sector, but this comes at a price since risk-averse firms will charge a premium for bearing risk.

The study further found out the influence of contract management on organizational performance in the private sector basing on certain contract management statements. The statements were on a scale of 1-5 where 1=strongly disagree, 2-disagree, 3-neither agree nor disagree, 4=agree and 5=strongly agree. The findings are summarized in Table 9.

As shown in table 9 the respondents agreed with the statement that there was a contract manager/ contract management committee in place (4.11). They neither agreed nor disagreed on the statement that all purchases were done on contractual basis (3.21) and contract management was complicated (3.17). They however disagreed with the statement that there was a long term commitment to suppliers (2.31) and contract management was cost free (2.29). Baquero's (2005) study reveals that contract management entails planning, organizing, control and directing payments. To avoid delays in supply and provision of services, timeliness have to be respected. Work plans and contract periods have to be respected since most projects would have overruns.

Table 9: Extent Contract Management influence Organizational Performance

	Mean	SD
All purchases are done on contractual basis	3.21	0.129
There is a long term commitment to suppliers	2.31	0.165
There is a contract manager/ contract management committee in place	4.11	0.240
Contract management is cost free	2.29	0.147
Contract management is complicated	3.17	0.376

Organizational Performance

The study sought to establish the trend of organizational performance in the institution in the past five years. The findings are summarized in Figure 6.

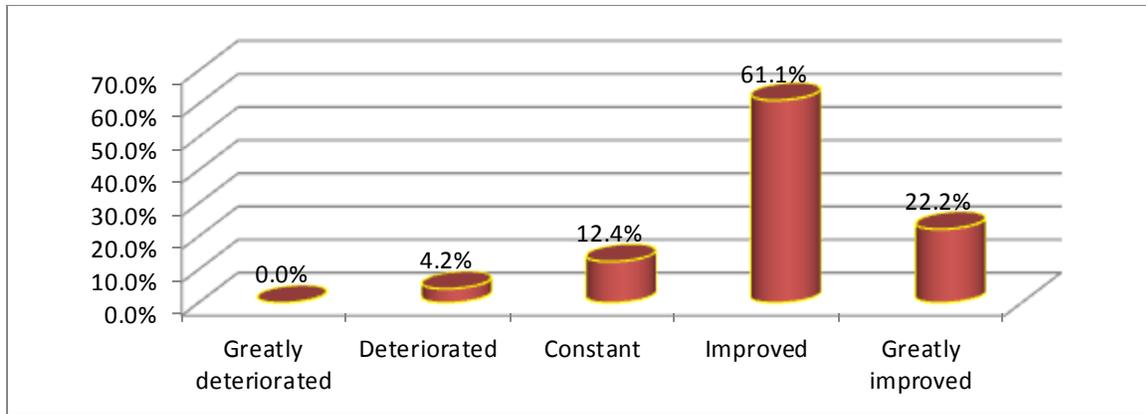


Figure 6: Organizational Performance

From the findings, 61.1% of the respondents gave feedback that the performance has improved, 22.2% indicated that it has greatly improved, 12.4% said that it was constant, 4.2% said that it had deteriorated while none indicated to it having greatly deteriorated. It can therefore be concluded that the organization performance in private sector has improved over the past five years.

Trend of Procurement Performance

The study required the respondents to rate the trend of the given factors of procurement performance in private sector. The statements were on a scale of 1-5 where 1=greatly improved, 2-improved, 3-constant, 4=deteriorated and 5=greatly deteriorated. The results are summarized in table 10.

Table 10: Trend of Procurement Performance

	Mean	SD
Effective control and stewardship of resources	4.21	0.760
Efficiency and effectiveness in procurement	4.36	0.089
Organized procedures and systems	4.14	0.179
Quality	4.01	0.322
Timely delivery of goods and services	3.46	0.057
Cost minimization	2.43	0.671
Inventory Optimization	4.11	0.089
Buyer Supplier Relationship	4.06	0.179
Audit and Compliance	3.31	0.322

As shown on table 10, the respondents gave feedback that there was an improvement on efficiency and effectiveness in procurement (4.36), effective control and stewardship of resources (4.21), organized procedures and systems (4.14), inventory optimization (4.11), buyer supplier relationship (4.06), quality (4.01). Timely delivery of goods and services and audit and compliance remained constant with 3.46 and 3.31 respectively. However cost minimization decreased as shown by a mean of 2.43. This implies that procurement indicators perform exemplary in private sector.

Correlation Analysis

Pearson correlation was used to measure the degree of association between variables under consideration that is independent variables and the dependent variables. Pearson correlation coefficients range from -1 to +1. Negative values indicates negative correlation and positive values indicates positive correlation where Pearson coefficient <0.3 indicates weak correlation, Pearson coefficient >0.3<0.5 indicates moderate correlation and Pearson coefficient >0.5 indicates strong correlation.

Table 11 Correlation Coefficients

	Performance measurement	E-procurement	Procurement planning	Contract management	Organization performance
Performance measurement	1				
E-procurement	0.631	1			
Procurement planning	0.551	0.451	1		
Contract management	0.611	0.391	0.413	1	
Organization performance	0.511	0.524	0.614	0.713	1

*. Correlation is significant at the 0.05 level (1-tailed).

The analysis above shows that contract management has the strongest positive (Pearson correlation coefficient =.713; P value 0.000) influence on organization performance. In addition, performance measurement, e-procurement and procurement planning are positively correlated to organization performance. The correlation matrix implies that the independent variables are very crucial determinants of organization performance as shown by their strong and positive relationship with the dependent variable; organization performance.

Model Summary

Regression model is used here to describe how the mean of the dependent variable changes with changing conditions. Regression Analysis was carried out for focus on performance measurement, e-procurement, procurement planning and contract management and organization performance. To test for the relationship that the independent variables have on organization performance, the study did the multiple regression analysis.

Table 12: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.937	0.878	0.789	0.5273

The four independent variables studied explain 87.8% of the organization performance as represented by the R². This therefore means that other factors not studied in this research contribute 12.2% of the organization performance. This implies that these variables are very significant therefore need to be considered in any effort to boost organization performance in private sector in Kenya. The study therefore identifies variables as critical determinants of organization performance.

Table 13: ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	2.534	2	1.267	9.475	.0179 ^a
Residual	9.307	40	2.327		
Total	3.465	42			

NB: F-critical Value 88.33 (statistically significant if the F-value is less than 88.33: from table of F-values).

- a. **Predictors: (Constant)**, performance measurement, E-procurement, procurement planning and contract management.

The significance value is 0.0179 which is less than 0.05 thus the model is statistically significant in predicting how performance measurement, E-procurement, procurement planning and contract management influence the organization performance in the private sector. The F critical at 5% level of significance was 3.23. Since F calculated is greater than the F critical (value = 9.475), this shows that the overall model was significant.

The study ran the procedure of obtaining the coefficients, and the results were as shown on the table below.

Table 14: Coefficient Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.147	1.2235		1.615	0.367
Performance Measurement	0.752	0.1032	0.152	4.223	.0192
E-Procurement	0.487	0.3425	0.054	3.724	.0269
Procurement Planning	0.545	0.2178	0.116	3.936	.0251
Contract Management	0.439	0.1937	0.263	3.247	.0454

Multiple regression analysis was conducted as to determine the relationship between organization performance and the four variables. As per the SPSS generated table above, the equation ($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$) becomes:

$$Y = 1.147 + 0.752X_1 + 0.487X_2 + 0.545X_3 + 0.439X_4$$

According to the regression equation established, taking all factors into account (performance measurement, E-procurement, procurement planning and contract management) constant at zero, customer satisfaction will be 1.147. The data findings analyzed also shows that taking all other independent variables at zero, a unit increase in performance measurement will lead to a 0.752 increase in organization performance; a unit increase in E-procurement will lead to a 0.487 increase in organization performance, a unit increase in procurement planning will lead to a 0.545 increase in organization performance and a unit increase in contract management will lead to a 0.439 increase in organization performance. This infers that performance measurement contribute most to the organization performance followed by procurement planning. At 5% level of significance and 95% level of confidence, performance measurement had a 0.0192 level of significance, E-procurement showed a 0.0269 level of significance, procurement planning showed a 0.0251 level of significance, and contract management showed a 0.0454 level of significance hence the most significant factor is performance measurement.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The study concludes that procurement practices influences organization performance at private sector. It has a great impact on organizational performance in the private sector and helps in saving money that would have been lost and private sector perform frequent performance measurement, hence it is not a waste of time for the private sector. E-procurement has an effect on the organizational performance. Procurement processes are automated and hence could contribute towards realizing organizational performance. All inventories are critical to operations, inventory streamed in regularly, space is unlimited for inventory and inventory control involves a lot of finance.

The study also notes that procurement planning is a major contributor of organizational performance. Procurement planning is done every fiscal year, there are emergency purchases, procurement planning is affected by bureaucracy and procurement planning is not a smooth exercise. Contract management has been observed to influence organizational performance at private sectors as it has a significant impact on

organizational performance, with emphasis on a contract manager and contract management committee in place. Organization performance at private sectors was also observed to have improved over the past five especially on efficiency and effectiveness in procurement, effective control and stewardship of resources, organized procedures and systems, inventory optimization, buyer supplier relationship and quality.

Recommendations

The study recommends the following:

- the development and issuing of operational guideline, procedures and task descriptions which provide authority to the purchasing department in private sectors.
- development and implementation of auditing and review programs in order to monitor and improve purchasing operations and performance.
- decisions on outsourcing, establishing long-term contracts and contacts with certified and or preferred suppliers, adopting a supplier strategy based on multi-versus single sourcing, making investment decisions and related to policies concerning transfer pricing and intercompany suppliers.
- the need for the private sector to make decisions related to policies on reciprocal arrangements, counter trade and barter deals.

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