

**DIPLOMA IN PROCUREMENT SUPPLY CHAIN MANAGEMENT**

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**EFFECTS OF PROCUREMENT PROCESS IN PERFORMANCE OF SUPPLIES ENTERPRISES: A CASE STUDY OF SUPA LOAF SUPPLIERS IN NAIROBI COUNTY**

# CHAPTER ONE

# INTRODUCTION

# 1.0 Introduction

This chapter consists of the background of the study, statement of the problem, research objectives, research questions, justification of the study as well as limitation of the study.

# 1.1 Background of the study

Sollish and Semanik (2012) defines procurement as to the events handled by a company for proper management of the supply chain. Organizations should readjust their procurement processes with the aim of enhancing efficiency and promoting environmental conservation. Procurement process is an important part of efficient on performance of supplies and is critical for all levels of institutions. An effective procurement process ensures the availability of the right commodities in the right quantities, available at the right time, for the right people and at reasonable prices, and at recognizable standards of quality.

The supply chain has been directly linked to the overall company performance and this has therefore made procurement practices vital to company success. Procurement practices positively impact an organization’s financial performance, the success of a new product depends on procurement and supplier involvement. Most organizations use a substantial amount of their income in procurement and therefore recognize the importance of strategic procurement practices (Guth, 2010). Around the world, supplies enterprises are experiencing an unprecedented pace of change and as a result, they are rapidly re-evaluating their operating models and market strategies not just to withstand these market forces, but capitalize on them. In United States procurement process has a significant role to play in helping the supplies enterprises achieve their objectives and prepare for the uncertainty ahead. In part, this will require procurement process to focus on driving costs out of the cost base. But the opportunity also exists for the function to add value in a much more strategic way (Leenders et al., 2008).

Thai (2011) describes two types of goals in the procurement system: non-procurement goals and procurement goals. Procurement goals are primarily associated with quality, reduction of financial and technical risks, and protection over competition and integrity in the system. Non-procurement goals usually involve the economic, social, and political goals within the system. Achieving efficiency in supplies enterprises is an ambitious task, as procurement faces numerous challenges, especially due to the market structure, the legal framework and the political environment that procurers face (Thai, 2011).

The African institutions have been grappling with poverty and provision of effective services. Tackling the poverty challenge is the responsibility of the institutions in collaboration with other stakeholders. However, the state will deliver more effectively to all citizens and to poor people in particular if certain mechanisms are in place to man the running of operations. Supplies enterprises in developing countries is said to account for up to 25 percent. For a number of years, the rate in industrialized countries has remained at around 10 percent. Though in absolute terms, the procurement market trade volume in developing countries may not be significant, the relative formation of any economic alliance which most international trade organizations would not afford to easily let go, this is besides also the political impact it may pose (Arrowsmith, 2010).

In the Middle East and Africa in general, central government purchases range from 9 to 13 percent (Gul, 2010). This indicates that procurement process plays a vital role in a country. Procurement therefore has important economic and political implications and ensuring that the process is economical and efficient is crucial. This requires in part that the whole procurement process should be well understood by the actors: government, the procuring entities and the business community or suppliers and other stakeholders, including professional associations, academic entities and the general public. The procurement process is viewed as involving sourcing contracting, monitoring and evaluation, and expediting; based on the model definition by (Van weel, 2012). Procurement process is a function that forms the foundation for the rest of management functions.

In Kenya, supplies enterprises procurement can be broken down into two categories, namely; project specific procurement and general consumable procurement. In project specific procurement, goods, works or services are sought for a particular initiative (e.g. a new road, a hospital, plant and equipment), whereas general consumable procurement relates to items that are required for a authority to perform its duties (e.g. fuel, stationery, vehicle parts, road maintenance, and security) (George 2008). According to the Kenya Gazette Supplement No. 92, (2006), there are five types of public procurements; open tenders, where prospective suppliers are invited to compete for a contract advertised in the press and the lowest tender in terms of price is generally accepted although the advertisers usually state that they are not bound to accept the lowest or any tender. Another type of tender is the restricted open tender where prospective suppliers are invited to compete for a contract, the advertising of which is restricted to appropriate local newspapers. Selective tenders are those where tenders are invited from suppliers from an approved list that have been previously vetted regarding their competence and financial standing. In a negotiated tender, a tender is negotiated with only one supplier such that competition is eliminated (Arthur 2009).

# 1.2 Statement of the problem

Supplies enterprises in Kenya have become inefficient and non-profitable requiring the Government to shoulder major procurement burdens. Most organizations failed to take into consideration the proper management of procurement activities by implementing all the necessary procurement processes before embarking on both procurement and purchasing activities of the organization. The importance of procurement process to organization in terms of competitive advantage and profitability seems untapped by most agricultural firms in Kenya. Perhaps it is not being considered as a strategic function which most organizations must adopt in order to have an edge over their contemporaries and competitors. In terms of cost reduction, inventory management and enterprise resource planning most of the business firms tend to lag behind. Moreover, it must also be noted that the list of what and how organizations purchase nowadays is varied and practically endless, In spite of having various studies undertaken on procurement processes by various researchers, none of the studies have particularly addressed the effects of procurement process in performance of supplies enterprises in Nairobi County. This has created a significant knowledge gap and therefore forms the basis for this study; hence the need to study the effects of procurement process in performance of supplies enterprises in Kenya to bridge the gap.

# 1.3 Objectives of the study

**1.3.1 General Objective**

The general objective of this study was to establish the effects of procurement process in performance of supplies enterprises in Supa Loaf Suppliers in Nairobi County.

**1.3.2 Specific Objectives**

The specific objectives of the study included: -

1. To examine how the procurement management affect performance of Supa Loaf Suppliers in Nairobi County.
2. To find out the buyer-supplier relationships on performance of Supa Loaf Suppliers in Nairobi County.
3. To establish how supplier selection procedures, affect performance of Supa Loaf Suppliers in Nairobi County.
4. To determine how organizational capacity, affect performance of Supa Loaf Suppliers in Nairobi County.

# 1.4 Research Questions

The study was guided by the following as the research questions.

1. How does the procurement management affect performance of Supa Loaf Suppliers in Nairobi County?
2. How is the buyer-supplier relationship on performance of Supa Loaf Suppliers in Nairobi County?
3. How does the supplier selection procedure affect performance of Supa Loaf Suppliers in Nairobi County?
4. How does the organizational capacity affect performance of Supa Loaf Suppliers in Nairobi County?

# 1.5 Significance of the study

**1.5.1 Management of Supa Loaf Suppliers Company**

The study may be of importance to the management of Supa Loaf Suppliers Company. It will provide information to the management and make the administration to know the various ways that the organization can improve the performance of supplies to be able to come up with better strategies in procurement process in the industry and seek ways to work on the weak areas and strengthen the positive factors in order to enhance competitiveness.

**1.5.2 Other Researchers**

The research study will be of great importance to other researchers who shall carry out research on different issues by showing them the procedures to follow hence come up with better results in their research. Also, the research may be of great importance to federation of Kenya employers who depends on workers who came up with policies to govern the employer.

# 1.6 Limitations of the Study

**1.6.1 Fear of Victimization**

The secrecy and fear of victimization especially on issues deemed detrimental to the organization by the employees ended up limiting the study. To overcome the limitation the researcher therefore assured the respondent that the information gathered was very and was for academic purposes only.

**1.6.2 Confidentiality**

The organization under survey had the policies regarding to information confidentiality and employees are restricted on which information they share with non-members of the organization. However, the researcher overcame this by assuring the respondents that the information collected was kept confidential.

**1.6.3 Finance and Time**

The researcher got finance and time constraints as the main sponsor of this research project however, the researcher used the available resources to accomplish the research project in time. In gathering secondary data, some of the publications that were not available and not up to date hence the researcher gathered literature from other resource centers concentrated in Nairobi County.

# 1.7 Scope of the study

The study covered the effects of procurement process in performance of supplies enterprises in Supa Loaf Suppliers. The study was limited to Supa Loaf Suppliers in Nairobi County and generalized to other counties.

# 1.8 Definition of operational terms

**Procurement:** Refers to acquisition by purchase, rental, lease, or by any other method of assets, works, services or goods including livestock or any combination.

**Cost Effectiveness:** Refers to the act of comparing the output achieved by combining different inputs.

**Procurement Methods:** Refers to the procedures that are spelt out to be used in acquiring public supplies

**Procurement Process:** Refers to the system that is used in acquiring school supplies.

**Procuring Entity:** Refers to a public institution making purchase and acquisition to which public procurement and disposal act applies.

# CHAPTER TWO

# LITERATURE REVIEW

# 2.0 Introduction

The chapter provided information from publications on topics related to the research problem. It examined what various scholars and authors have said about the concept of procurement process. The chapter covers: the theoretical framework on procurement in performance of supplies enterprises, procurement process management on performance, Buyer-supplier relationships on performance, Supplier selection procedures and effect of procurement practices on organizational performance. It also addresses the conceptual framework of the study.

According to Bills (2004) procurement process is the purchase of goods and services by the public sector. Public procurement, accounts for a big portion of both public expenditure and need for goods and services in the economy. The public sector being regarded as the largest buyer, it affects competition in some markets through its purchasing behavior. The inception in of legislation in different countries has had a number of effects.

# 2.1 Theoretical Framework

**2.1.1 Resource Based View (RBV) Theory**

The RBV developed as a complement to the industrial organization view with Bain (1968) and Porter (1985) as some of its main proponents. With its focus on the structure conduct performance paradigm, the industrial organization view put the determinants of firm performance outside the firm, in its industry's structure. Being positioned against this view, the RBV explicitly looks for the internal sources of sustained competitive advantage and aims to explain why firms in the same industry might differ in performance. As such, the RBV does not replace the industrial organization view; rather it complements it (Peteraf & Barney, 2003).

RBV proponents argue that simultaneously valuable, rare, inimitable and non-substitutable resources can be a source of superior performance and may enable the firm to achieve sustained competitive advantage. The RBV of the firm is therefore a suitable approach to understanding the competitive dynamics whereby resources are intangible and tangible assets linked to the firm in a semi-permanent way, including: technological, human and physical assets. However, having resources alone is not sufficient; therefore, RBV theory adds a category of capabilities which result from complex patterns of interactions and coordination between resources (Wong & Karia, 2010).

RBV maintains that resources and capabilities are often synergistic in nature and can be more valuable when combined. RBV proposes that firms have different resource endowments and that the manner in which they require, develop, maintain, bundle and apply them leads to the development of competitive advantage and superior performance over time. RBV tenets prescribe that resources and capabilities, for instance bundle of resources need to be valuable, rare, inimitable and organizationally utilizable, for example a firm has complementary resources to leverage and maximize capabilities to drive sustainable competitive advantage. In general, RBV theory indicates that exploiting a firm’s non-imitable resources enables a firm to create long-lasting competitive capabilities and to generate a competitive advantage (Paulraj, 2011).

**2.1.2 Partner Selection Theory**

Partner selection literature is very limited and focused on the criteria for choosing partners rather than on the process of partner selection (Saffu & Mamman, 2000). Most articles assume a rational decision-making process based on very specific selection criteria. Existing partner selection literature assumes a straight-line start-to-finish selection process (Saffu & Mamman, 2000). Depending on the motivation of the alliance as a whole, specific partner characteristics will be more or less valuable. A logical selection criterion is developed, often prioritizing the partner characteristics of interest. Finally, a partner is rationally selected, meeting all of the criteria. Some business alliances form as a result of personal ties between key decisions makers (Barringer & Harrison, 2000).

Angeles and Nath (2000) used questionnaires to gather data from 152 respondent firms on their trading partner selection criteria. Six factors appeared to be most important including strategic commitment, trading partner flexibility, and communications. A number of articles and theories have been developed regarding partner selection in international alliances. Resource-based and organizational learning theory support observed partner selection among emerging and developed markets in North America and Europe (Hitt & Dacin, 2000). Emerging market firms from Mexico, Poland and Romania looked for financial assets, technical capabilities, intangible assets, and a willingness to share expertise in their selection of partners. Developed market firms from Canada, France and the USA chose their partners based on unique competencies and local market knowledge and access (Saffu & Mamman, 2000).

# 2.2 Procurement Process on Performance of Enterprises

Procurement processes are those managerial actions undertaken to improve performance of the integrated supply chain. According to Li et al., (2006), procurement processes have been identified as customer orientation, strategic supplier partnership, level of information sharing, quality of information sharing, reverse logistics and knowledge management. The public sector procurement mainly comprises procurements by government or state owned or controlled institutions and corporations. Public procurement consists of public sector supply chains and multi-level network which can be assessed at the central, province, district and local authority. The difference between these levels of procurement usually depended on value and volume and annual goods and services pro cured (Ellinger, 2006). In addition, public sector procurement mainly focuses on different areas. This differs from sector to sector and also industry sector to sector, but they are standardized and regulated by one body. For instance, in Kenya, all public procurements are regulated by Public Procurement Oversight Authority (PPOA).

According to Ochieng and Muehle (2012), the Procurement System in Kenya has evolved from a crude system with no regulations to an orderly legally regulated procurement system. Government’s Procurement process was originally contained in the Supplies Manual of 1978; The Director of Government Supply Services was responsible for ensuring the proper observance of the provisions of the Manual (PPOA 2010). All the aforesaid reform initiatives were geared towards improving the public procurement system by enhancing accountability and transparency with the aim of achieving value for money and attracting investments by creating sound business climate.

These reforms have ensured fairness and competition among suppliers of goods, works and services, thereby restoring the confidence of Kenyans in the public procurement process while at the same time ensuring that the Government gets the best value for its money (PPOA, 2007).This led to the creation of the Public Procurement Oversight Authority (PPOA) to oversee public procurement system with its principal functions of ensuring that the public procurement law is complied with and capacity of the function among stakeholders is enhanced (PPOA ,2010).

**2.2.1 Customer Orientation**

Chong and Ooi, (2008) point that procurement process is concerned with working with external groups namely; customers and suppliers and a strategic partnership between the supply chain partners will be required. For instance, for implementing SCS (supply chain standard) such as Rosetta Net standards, strategic partnership and supply chain members are the most important factors. Sourcing decisions are fundamental with respect to procurement process. The choice of supplier, how businesses are effectively integrated to obtaining proper complementary skills will form an important practice for any business unit. Narasimhan and Jayaram, (2008) found that strategic sourcing initiatives improve supply chain performance and through examining the type of sourcing decisions, strategic sourcing decisions were found to be strongly related to manufacturing goal achievement in a study of 215 North American manufacturers. In addition, the construct strategic supplier partnership is an integral element to the second order construct of supply chain management (Li et al., 2006). The defining elements of strategic sourcing have been identified to be: the status of supply management within the organizational hierarchy, internal coordination of supply management with other functions in a firm, active information sharing with suppliers, and comprehensive supplier development activities (Kocabasoglu and Suresh, 2006).

Since suppliers and retailers have knowledge in different domains, the combination can create unique knowledge that can be applied to improve business knowledge. Better relationships between retailers and their suppliers also improve prospects of new product acceptance (Kaufman, 2002). Retailers take risks in placing untried products on the shelves. The risks take several forms. The retailer’s reputation is at stake if the product does not perform well, and consumers may hold the retailer responsible for selling substandard products. In addition, the retailer may not wish to give up limited shelf-space for untried new products. Therefore, retailers are more likely to stock new, untested products from suppliers with whom close, long-term relationships have been established.

**2.2.2 Strategic Supplier Partnership**

The choice of suppliers and how businesses are effectively integrated to obtaining proper complementary skills are important issues. Strategic sourcing consists of strategic outsourcing and supplier capability analysis. In addition, the construct strategic supplier partnership is an integral element to the second order construct of SCM (Li et al., 2006). The defining elements of strategic sourcing have been identified to be: the status of supply management within the organizational hierarchy, internal coordination of supply management with other functions in a firm, active information sharing with suppliers, and comprehensive supplier development activities (Kocabasoglu and Suresh, 2006).

In the retail category management context, strategic sourcing has also been found to influence knowledge creation and sharing among suppliers and retailers (Dewsnap and Hart, 2004). Since suppliers and retailers have knowledge in different domains, the combination can create unique knowledge that can be applied to improve business knowledge. Better relationships between retailers and their suppliers also improve prospects of new product acceptance (Kaufman, 2002). Retailers take risks in placing untried products on the shelves. The risks take several forms. The retailer’s reputation is at stake if the product does not perform well, and consumers may hold the retailer responsible for selling substandard products.

**2.2.3 Information Sharing**

Information sharing refers to the extent to which non-public information is communicated along the supply chain. A number of studies have examined the value of information sharing along the supply chain. For the most part, these researchers have attempted to quantify the benefits of sharing information by using simulation approaches. Sharing promotional information between retailers and manufacturers can be particularly useful. Promotional activity can create disruptions in the supply chain. A retail-level promotion may artificially increase demand for a temporary period. Without shared information on the promotion, the manufacturer may be unprepared. The retailer may not have sufficient stock to support the demand induced by the promotion.

An interesting aspect of this stream of research is the finding that the value of information sharing is particularly high when demand is auto correlated (Hamister and Suresh, 2008). Auto correlated demand has been linked to the early season signal for a seasonal product, and it has practical relevance (Fisher and Raman, 1996). Sharing information upstream early in a selling season better positions the manufacturer to support the retailer while avoiding costly stocking errors. In practice, point-of-sale (POS) technologies and sharing through technologies such as VMI are incomplete and must be supplemented with analysis of actual order patters (Smaros et al., 2003). The scope of information shared is related to the nature of the business relationship.

**2.2.4 Adoption of Information Technology**

The advent of the internet and electronic communication has enabled companies to be more responsive to their customers than ever before. Sanchez and Peres (2003) assert that rich experience of firms with electronic resource planning (ERP) tend to deliver higher benefits while the electronic data interchange (EDI) adopter perceive more operational benefits, more external pressures and mutual understanding, and fewer technical and organizational difficulties than non- adopters of EDI Information sharing practices such as vendor-managed inventory (VMI) give manufacturers more accurate information than before e.g. customer sales data. Smaros et al., (2004) used discrete event simulation to examine how a manufacturer can combine traditional order data available from VMI customers in its production and inventory control and what impact this has on the manufacturer’s operational control. They found that even for products with stable demand a partial improvement of demand visibility can improve production and inventory control efficiency. The value of product visibility greatly depends on the target products’ replenishment schedule and the planning cycle employed by the manufacturer.

**2.2.5 Reverse Logistics**

Reverse logistics is defined as the effective and efficient management of the series of activities required to retrieve a product from a customer to either dispose of it or recover value (Defee et al., 2009). On their part Rogers and Tibben-Lembke (1999, p. 2) defined reverse supply chain as “the process of planning, implementing and controlling the efficient, cost effective flow of raw materials, in-process inventory, finished goods and related information from the point of consumption to the point of origin for the purpose of recapturing or creating value or for proper disposal”. Firm control has been recognized as a crucial component of SCM. Sanderlands (1994) noted that the first step (in SCM) is to introduce structure and discipline to the supply process, tightening up procedures, and taking control of all activities in the supply chain. An important way to introduce structure is to formalize logistics operations. The rapid growth in the volume of returns often outpaces the abilities of firms to successfully manage the flow of unwanted product coming back from the market. The complex procedures and steps required for any RSC to be operational make most companies to shy away from undertaking the same process. Mollenkopf et al. (2007) outlined several processes involved in the RSC process that discouraged most organizations from pursuing. These processes as they enumerated include: initiate returns; determine routing; receive returns; select disposition; credit the customer; and analyzing the performance.

**2.2.6 Knowledge Management**

Global competition and accelerating technological changes especially in information and communication and internet technologies makes competition knowledge-based thereby affecting SCM across firms (Lang, 2001). A stronger emphasis on knowledge management as part of organizational strategy may help supply managers to manage uncertainty better. It is observed that establishment of internal knowledge management systems for organizations create a greater base for tacit learning to be leveraged. On the other hand, external knowledge management brings value chain members closer together and adds value to the product through increased quality and customer perception of brand platforms. Koh and Tan, (2006) assert that it is only knowledge management that is inadequate in many ways for managing a supply network in uncertain environment hence a new approach is needed. They linked the impact of organizational structure in knowledge transfer and utilization among the different participating functions in the perceptive of systems theory. Information sharing practices such as vendor-managed inventory gives manufacturers access to more accurate demand information such as customer sales data than before.

# 2.3 Buyer-Supplier Relationships

As suggested by Olsen and Ellram (1997), the links between the characteristics of the relationship such as trust, cooperation, and the performance of the relationship need further research. Considering the key issues, the prominent dimensions of the buyer-supplier relationship is trust, communication, interpersonal relationship, cooperation, and power-dependence. Therefore, this study makes an important contribution to the relational literature through the investigation of the phenomena of retailer-supplier relationships and their impact on procurement.

**2.3.1 Trust**

Trust is a crucial factor in sustaining the complex business network and contributing to the success of an organization. To distinguish the basis of trust in enterprises, trust is cultivated at the personal level and at the organizational level (Fang and Kriz 2000; Wong 1996). Trust indicates a person’s reputation for trustworthiness on both a professional and personal level as well as credibility in a business situation (Woo 1999). Ganesan (1994) reported that the reputation of the supplier’s fairness has a significant effect on its credibility in the business, and consequently satisfactory credibility will create higher level of trust. According to Sullivan and Peterson (1982), the essence of trust is described as where the parties have trust in one another, then there will be ways by which the two parties can work out difficulties such as power conflict, low profitability, and so forth.

Trust leads retail buyers and sellers to the focus on long-term benefits of the relationship (Ganesan 1994), and eventually enhance the performance outcomes in buyer-supplier relationships, including firm competitiveness and transaction costs reduction (Noordewier et al. 1990). Trust influences long-term relationships, while Morgan and Hunt (1994) found trust has the strongest effect on achieving cooperation in relationship. Anderson and Weitz (1989) demonstrate the evidence that trust is key to maintaining continuity in conventional channel relationships. Furthermore, Siguaw et al. (1998) concluded distributor trust is related significantly and positively to both cooperative norms and distributor satisfaction with financial performance.

Two major aspects of trust are personal trust and organizational trust will be focused to give more insights on how trust plays an important in the enterprise buyer-supplier relationship. The emphasis on trust has prevailed among business industries not only in Western countries but also in the world business communities. Trust was the crucial factor in upholding the complex network of trading relations Wong (1996). The enterprise relationships appear to be highly personalized based on personal trust. Kao’s (1996) study of personal trust in large businesses in Taiwan indicated that personal trust plays a prominent role in the establishment of partnerships Kiong and Kee (1998).

**2.3.2 Communication**

Owing to the risk of seasonal and short product life, small firms are naturally inclined to reduce inventory carrying costs and maximize profits from the products provided by the suppliers. Many companies have perceived the importance of substituting information for inventory as a potentially powerful source of competitive advantage Spekman et al. (1999). Therefore, effective communication plays a critical role in social and business relationships.

Anderson and Narus (1990) define communication as the formal as well as informal sharing of meaningful and timely information between firms. Cannon and Perreault (1999) suggest more open sharing of information is indicated by the willingness of both parties to share important information. However, lack of trust can be translated to unwillingness to share information Fawcett and Marnan (2001) and can make it difficult to share sensitive information such as financial data, especially in Asian business (MOEA 1999). Therefore, Mavondo and Rodrigo (2001) bring up the issue of difficulties in cross-cultural communication and information sharing as they can be a significant obstacle to business.

Effective communication in channel relationships can enhance levels of channel member coordination, satisfaction, commitment levels, and performance Goodman and Dion (2001). In fashion apparel industry, frequent communication between retailers and suppliers can expedite quick and accurate response to volatile market and reduce the costs and impact of inaccurate forecasts Fisher et al. (1994). With the presence of trust and support, channel members are more willing to pass information upward and promote bidirectional communication Blair et al. (1985). Consequently, it will help better match supply with demand and increase profitability for channel members. On the other hand, under unequal power relationship a less powerful channel party has a tendency not to provide information and feedback to more powerful ones Blair et al. (1985). Thus, the restricted information flow will impede the channel relationships and affect the enterprise performance as well. Effective communication is crucial to maintain a long-term buyer-relationship and achieve high performance Mohr and Nevin (1990); Morgan and Hunt (1994).

**2.3.3 Cooperation**

Anderson and Narus (1990) define cooperation as similar or complementary coordinated actions taken by firms in an interdependent relationship to achieve mutual or singular outcomes with expected reciprocation over time.” Cooperation between the exchange parties reflects the expectations of working together to achieve mutual and individual goals jointly Cannon (1999). The cooperative inter-business relationship is primarily based upon personal trust between business parties. Most businessmen say that the most reliable sources of information come from close relationships within and among business organizations. Without close relationship, the suppliers or buyers are not willing to share information and have less intention to cooperate. Ambler et al. (1999), state that active cooperation plays a role in export sales growth. Previous research on channel distribution has suggested that there is a positive relationship between cooperation and satisfaction (Anderson and Narus 1990; Skinner et al. 1992). Cooperation between channel members will increase channel efficiency and help members attain their mutual goals.

# 2.4 Supplier Selection Procedures

Li (2006) developed three factors in supplier selection measure based on extensive literature review and practitioner interviews. He illustrated that underlying the documented suppliers’ selection criteria is the need to assess a supplier’s quality and service capabilities as well as his strategies and managerial alignment with the buyer. Tan et al (1998) proposed an integrated model by combining the analytical hierarchy process and grey relation analysis in a single evaluation model. They proposed that through this model, it is possible to effectively integrate the specialized knowledge and experience of each disposed evaluation and the quantitative data to select the best supplier for cooperation.

Supplier selection is usually a time-consuming process that evaluates suppliers on several criteria such as cost of production, raw material cost, quality assessment, organizational goal, quality staff, delivery system, personal facilities etc. Selection of suppliers is complicated process by the fact that numerous criteria must be considered in the decision-making process. Therefore, different criteria are usually considered during the supplier selection process. Stanley and Wisner (2001) surveyed several industries and suggested that quality and on-time delivery are the most important attributes of purchasing performance evaluation. Wang and Che (2007) suggested that apart from optimum cost, joint development, culture, forward engineering, trust, supply chain management, quality and communication were also important. He further suggested that the suppliers’ history of supply, production price, technical capability and transportation cost also play important role during suppliers’ selection.

O’Brian and Ghodsypour (1998) agreed that cost, quality and service that are the most important factors in supplier selection process. Therefore, it is important to note that cost and quality dominated more in the supplier selection process. In the supplier selection process, a data bank containing an authorized list of suppliers with their profiles is crucial. Important information should include technical capability, quality assessment and organizational profile. Suppliers’ data regarding these criteria should be stored in a case structure consisting of several fields representing the criteria in each with the relevant numerical performance values of the corresponding criteria of suppliers. Choy and Lee (2002), suggest a Case Based Supplier Management Tool (CBSMT) using the Case Based Reasoning (CBR) in intelligent supplier’s selection and management. This will make better performance compare to using the traditional approach.

Choy and Lee (2002), illustrated a stochastic integer programming approach for synchronous selection of tolerances and supplier based on the quality loss function and process capability indices. Tan et al (1998), indicated Data Envelopment Analysis (DEA), proposed an approach which compares suppliers for supplier selection and performance improvement. This model first recognizes the measure assessing a supplier’s environmental performance and lastly suggests effective techniques for building the selection procedure, relating to an environmental viewpoint.

**2.4.1 Factors Affecting Optimal Supplier Selection**

Stanley and Gregory (2001) came up with the supplier selection criterion which has since gained a lot of fame. Their model consists of: -

**Cost Criteria**

The aim of this criterion is to identify vital element of cost associated with purchase. The most common cost related with a product is purchase price, transportation cost and taxes (Stanley and Gregory, 2001). Operational costs are also being considered during the supplier selection. The operational cost includes transaction processing; cost of rejects etc. but it requires more effort to estimate. Thus, cost is very important criterion for selection of right suppliers. The cost factor has been measured based on the importance of the following cost/price dimensions in supplier selection in telecommunication industry: raw material cost, cost due to delay, cost of inspection, after sales service, rework cost, engineering cost and labor cost. Profit maximization cannot be achieved without the cost minimization. The Factors (attributes) affecting this criterion includes: -

**Price -** The firm always requires the minimum price of the product to increase the profitability. The firm therefore must find a low-cost supply base where it can minimize manufacturing cost related to the production of the Product. Basically, price containment leads to supplier attractively.

**Distribution Cost -** This contains the lengthy distribution channel cost, transport expenses, inventory cost, handling and packaging. Cost, damages during transportation and insurance costs. Since every business enterprise is out to procure at least cost possible, cost management brings a lot of business to suppliers who offer least cost, holding other factors constant.

**Technical Capability**

Suppliers’ need competent technical ability to provide high quality product or service, ensure future improvements in performance and promote successful development efforts. Especially, this is very important when the firm’s strategy included development of a new product or technology or access to proprietary technology. These technical criteria insist company to shift into the global market place. This factor has been measured on the basis of the importance of the following technical dimensions: compliance with quantity, compliance with due date, compliance with packaging standard, production planning systems of suppliers, and maintenance activities of suppliers, plant layout and material. The production facilities and ability of the supplier to increase its capacity should also be taken into account to Judge the best one. The potential production capability of each supplier should be analyzed to meet a specified Production plan and also to develop a new product according to the market demand (Harps, 2000).

**Quality Assessment**

Quality assessment is a key factor of suppliers by which they can improve and maintain quality and delivery performance. It is very important for the company and suppliers. Quality and availability of product depends on this criterion. This factor has been measured on the basis of the importance of the following quality dimensions: management commitment, product development of suppliers, and process improvement of suppliers, quality planning and quality assurance in supply chain, quality assessment in production, inspection and experimentation and quality staff of supplier (Beamon, 1999). The rejection rate of the product is defined in the terms of the number of parts rejected by the customers in fixed time period because of some quality problems. It also includes the defective parts detected in the incoming products. This encounters the issues like whether or not the frequent quality assessment of the parts has been done by the Supplier.

**Organizational Profile**

This factor has been measured on the basis of the importance of the following organizational dimensions: achievement of sales and marketing goals, financial performance, achievement of current organizational goals and strategy for technology age. Good suppliers should have high organizational power and advanced coordination skills.

**Service Levels**

The performance of the supplier in providing service to the manufacturer is the prime criteria to decide its Suitability for a particular product. Beamon (1999) argues that the good service given by the supplier may help in increase the customer base and therefore, this criterion is important in global supplier selection. It is analyzed based on delivery. The ability of the supplier to follow the predefined delivery schedule is always the prime criteria for selection in this fast-moving world. This means that suppliers who keep their promises are easier and profitable to work with.

**Financial Status**

The financial status of the supplier can be analyzed by getting the information about the annual turnover of the Supplier and their financial structure based on the past history. The economic status of the supplier’s country may affect the currency exchange rate, local price control and so Forth. This can result in higher hidden costs for international sourcing and into during the supplier selection. A good supplier should have a good financial base so that incase of delayed payments, supply is not hindered (Awino, 2002).

**Response of Customers**

The response of the customers towards the supplier is one of the important factors to decide the performance of the supplier. Suppliers with good customer base should be preferred than the others. Customer numbers cannot lie, where the customers are, the deal is good.

**Performance History**

The performance history of the supplier should be analyzed carefully keeping in mind the competitive nature of the supplier, its past production schedule, response to market, and its ability to make commercial relations and business references. It is easy to get a profile of ageing supplier easier than new suppliers. Research shows that, old suppliers are more experienced and more stable in business (Kibe, 2000).

# 2.5 Procurement Process on Organizational Capacity Performance

A procurement system is a vital component of a company’s supply chain system. Typically, a company’s procurement function is subdivided into strategic and operational processes since activities and priorities in these two areas are entirely different (Turban et al., 2000). Supplier management, the pooling of purchase requisitions and procurement-oriented product development are tasks that are typically assigned to strategic procurement. E-procurement enables companies to decentralize operational procurement processes and centralize strategic procurement processes as a result of the higher supply chain transparency provided by procurement process. Strategically, e-procurement will help to consolidate purchasing practices that will lead to greater discounts and better service from suppliers, Accelerate the flow of important information between the buyer and supplier, reduce administrative hours, freeing them up to do other work, help to respond quickly to highly competitive new market entrants and improve the chances of winning new business (Eng, 2004). An E-procurement for example has numerous opportunities that include enhancing image and improve corporate trading relationships, improve buyer/supplier relationships, as mutual cooperation is required, better accuracy since an order is less likely to be delayed or the wrong goods, delivered because there are no transaction errors (Amit and Zott, 2001). Operationally, e-procurement helps in improving auditing and better security by enabling staff and auditors to verify and track the movement of orders through the system, shorten the delivery time by cutting time waiting for documents in the mail, eliminate time zone obstacles, as the e-procurement can be used any time of the day, and reduce inventory levels, hence costs associated with inventory. In addition, e-procurement helps to maximize labor by empowering the employees who want the product to make the transactions that are right for their work (Johnson and Klassen, 2005).

Delaney et al, (2006) point that organizational performance can be evaluated by quality service and products, satisfying customers, market performance, service innovations, and employee relationships. On the other hand, Hoque et al, (2000) in their study of organizational performance based on balanced scorecard, stated that organizational performance can be appraised by return of investment, margin on sales, capacity utilization, customer satisfaction and product quality. In the same way, Greene et al, (2007) identified that return on investment, sales and market growth, and profit are important factors that can be measured by organizational performance. In all these performance measures, procurement practices have a positive relationship or generally affect the level of organizational performance.

A strong customer leads to improved marketing and financial performance (Green et al., 2005). As customers begin to demand that the products and services that they purchase be eco-friendly, it is important that manufacturers generate intelligence related to these changing customer demands. A manufactured product that remains unsold in inventory, because it does not satisfy customer demand is blatantly environmentally unfriendly. A company's customer relations practices can affect its success in managing the supply base as well as its performance (Turner, 1993). A key element of successful supply base management involves downstream integration of customers as well as the management of upstream suppliers. Each entity in the supply chain is a supplier as well as a customer. When a customer driven corporate vision is implemented simultaneously with effective supply base management practices, it can produce a competitive edge in a number of different ways. These include increases in productivity, reductions in inventor and cycle time, increased customer satisfaction, market share and profits.

Chong and Ooi, (2008) assert that a good organized and executed procurement will make it possible for companies to decrease their inventories, have better customer service, diminish costs as well as aid fast inventory turns. One of the biggest advantages of procurement in the situation of short-term objectives is increasing productivity and decreasing inventory and reducing lead time. Based on long term objectives, this factor has significant role in increasing company’s market share and having outside integration of the procurement (Li et al., 2006). Carr and Smeltzer (1999) have documented how firms with strategic purchasing are able to foster long term, cooperative relationships and communication, and achieve greater responsiveness to the needs of their suppliers. Although other factors, such as restructuring and governance, and transaction cost economizing are also important for understanding strategic purchasing and its linkage to supply management, they are beyond the scope of this investigation. Strategic purchasing fosters communication, which is critical to achieving effective integration throughout the supply chain. Effective communication contributes to the development and maintenance of inter-organizational routines that have been documented to enhance a firm’s capability for effectively managing strategic alliance (Zollo et al., 2002).

An organizations relational exchange, information enrichment and joint learning strategies can be reflected in the domains of partner relationships, information sharing and supply chain integration, respectively. Walters (2008) singles out in particular, relational exchange strategy and stress the importance of committed ongoing relationship between enterprises. The focus of information enrichment strategy is on information flows, such as acquisition, distribution, and exploitation. Joint-learning strategy focuses on know-how collaboration and mutual competency creation (Walters, 2008) while partner relationship refers to mutually committed relationships between enterprises and their partners (e.g. suppliers, the same tier manufactures and channel members) in the supply chain (Panayides and So, 2005). Information sharing refers to good quality information flow between an enterprise and its partners in the supply chain while Supply chain integration is defined as the coordination and activity integration of supply chain processes

# 2.6 Critique of the Existing Literature Related to Research Study

The theoretical and the empirical literature demonstrate that, the existing literature on the effects of procurement process in performance of enterprises is not extensive in Africa and in Kenya in particular. Most studies on implementation of procurement processes are common in many developed countries such as Europe, America and Canada.

# 2.7 Summary and Research Gap

The literature review is evident that studies been done on the effects of procurement process in performance of supplies enterprises. Whereas procurement process may cut across several sectors, it may not be the case with procurement processes in the public sector, which focuses on organizational performance not in terms of profit made, but services rendered to the citizens. It is therefore clear that there is need to find out the impact of procurement process in performance of supplies enterprises.

The literature reviewed and discussed above, which is primarily focused on the procurement process, identifies a number of potential factors that impact the performance of enterprises. However, it has become apparent from this review, that there are a number of significant gaps in the current literature in relation to the uptake and adoption of implementation on procurement processes. More specifically, the following important gaps have been identified: Current studies of procurement have tended to adopt rather narrow definitions and conceptualizations of procurement process in the performance of supply enterprises. There are a number of studies that identify procurement factors that might impact affect performance of an enterprise, but they tend not to be empirically tested. Moreover, such studies do not provide complete and coherent taxonomies of the problems with traditional procurement, or the potential benefits of, and inhibitors / facilitators of procurement process. With this backdrop, this study investigates the effects of Procurement Process in performance of supply enterprises. Whilst this study explicitly builds upon the factors identified in prior studies, it is envisaged that it would provide a far deeper and richer data set, upon which to draw conclusions.

# 2.8 Conceptual framework

The analysis of the dependent variable and its influence on the independent variables makes it possible to find answers to the research problem represented in form of a model known as a conceptual framework (Sekaran, 2009). In this study, the independent variables are: buyer-supplier relationships, supplier selection procedures, organizational capacity and procurement process management while the dependent variable is the effects of procurement process in performance of supplies enterprises as shown in the figure below: -

**Figure 2.1 Conceptual Framework**

**Buyer – supplier relationship**

* Delivery of quality services
* Information sharing
* Cost control

**Supply Selection Procedure**

* Supplier prequalification
* Supplier development

**Procurement process in performance of enterprises**

* Efficiency
* Competitiveness
* Transparency
* Quality services
* Ethical standards

**Organizational Capacity Performance**

* Efficiency of the supply base
* Use of Information technology

**Dependent Variable**

**Independent Variables**

# CHAPTER THREE

# RESEARCH DESIGN AND METHODOLOGY

## 3.0 Introduction

This chapter represents the research design, target population, description of the instruments use for the data collection and data analysis procedure applied by the researcher.

## 3.1 Research Design

The study adopted descriptive research design. Descriptive survey research portrays an accurate profile of persons, events, or account of the characteristics, for example behavior, opinions, abilities, beliefs, and knowledge of a particular individual, situation or group (Mugenda and Mugenda 2003). A descriptive study was concerned with finding out the what, where and how of a phenomenon (Kothari, 2008). This design was considered suitable because it helped in determining the extent to which employee innovation had adopted in Supa Loaf Suppliers. Questionnaires as a method of collecting data will be used whereby they are issued out to the selected population.

## 3.2 Target Population

According to William (2003) target population is the complete group of specific population elements relevant project. The target population in a research study comprised of all those potential participants that could make up a study group (Kothari, 2004). The study majorly focused on individuals working at Supa Loaf Suppliers in Nairobi County which had a population of 80 employees from various departments in the company.

**Table 3.1 Target Population**

|  |  |  |
| --- | --- | --- |
| Category | Frequency | Percentages |
| Senior Managers | 5 | 8.33 |
| Middle Management | 15 | 25 |
| Support Staff | 40 | 66.67 |
| Total | 60 | 100 |

Source: Author (2019)

## 3.3 Sampling Design

Sampling is a procedure by which some elements of the population are selected as representatives of the total population through the use of probability to acquire a representative degree of reliability in the selected area, (Mugenda & Mugenda,2003). The research singled out the respondents using stratified random sampling techniques. Stratified random sampling is a probability sampling in which simple random subsamples are drawn from within different strata that are more or less equal on characteristics, (William, 2003). Stratified random sampling was used due to heterogeneous nature of the group and the researcher wanted each member of the target population to have an equal chance of participating in the study.

## 3.4 Data Collection Methods and Instruments

The study used a semi structured questionnaire to collect primary data. Questionnaires guarantee confidentiality as respondents act without any fear or embarrassment. Advantages of questionnaires is that they are cheap and do not require a lot of effort from researcher. The questionnaires consisted of closed and open ended and partly closed, partly open-ended questions (Kothari, 2004). A questionnaire is preferred because it is simple to administer and convenient for collecting data within a short time.

# 3.5 Reliability and Validity

Mugenda & Mugenda (2003) asserted that, the accuracy of data to be collected largely depended on the data collection instruments in terms of validity and reliability. Validity as noted by Kothari, (2004) is the degree to which the results obtained from the analysis of the data actually represents the phenomenon under study. Validity was censured by having objective questions included in the questionnaire. This was achieved by pre-testing the instrument that is used to identify and change any ambiguous or offensive questions and technique as emphasized by Cooper & Schindler (2003). Reliability on the other hand refers to a measure of the degree to which research instruments yield consistent results (Mugenda & Mugenda, 2003).

Before the questionnaires were administered and they underwent pretesting with seven respondents to confirm validity and reliability of the research instrument and also ascertain whether the target population was able to comprehend and give information needed by the researcher.

## 3.6 Data Analysis Methods and Procedures

Data analysis is the process of gathering, modeling and transforming data with the goal of highlighting useful information, suggesting conclusions and supporting decision making. The collected data was analyzed using both quantitative and qualitative techniques. Quantitative technique was used to analyze the closed-ended questions where computer programs statistical Package of Social Science (SPSS V. 22). Qualitative technique was used to analyze the open-ended questions. Data was then analyzed using statistical methods by use of tables, charts, frequencies and percentages. It envisaged that the comparative method was the best since the data will was quantitative in nature prior to the summarization of the data. The questionnaires were checked to ensure that they were fully completed and accurate.

# CHAPTER FOUR

# DATA ANALYSIS AND INTERPRETATIONS OF THE STUDY

# 4.0 Introduction

This chapter focuses on the demographic information of the respondents, presentations, interpretation and discussions of research findings. The presentation was done based on the research objectives.

# 4.1 Questionnaire Return Rate

Questionnaire completion rates is the proportion of the sample that participated as intended in all the research procedures. In the study, out of 60 questionnaires administered 40(66.7%) filled in and returned. This questionnaire return rates was deemed adequate for the study.

# 4.2 Background information

This section deals with the demographic information of the respondents namely senior management, middle management and lower level management inclusive of all the staff in the respective levels.

# 4.3 The demographic information

**4.3.1 General information**

**Figure 1: Gender**

The figure above shows that majority of the respondents, 25(62.5%) who took part in the survey were male whereas 15(37.5%) were female.

**Table 1: Age**

|  |  |  |
| --- | --- | --- |
| **FACTOR** | **FREQUENCY** | **PERCENTAGE** |
| 25-30 yrs | 4 | 10 |
| 30-35 yrs | 10 | 25 |
| 35-40 yrs | 16 | 40 |
| 45-50 yrs | 7 | 17.5 |
| 50 yrs and Above | 3 | 7.5 |
| **TOTAL** | **40** | **100** |

The table above illustrates that the respondents who were between the ages of 25-30 were 4(10%). Those who were between 30-35 were 10(25%). Those between 35-40 were 16(40%). Those between 45-50 were 7(17.5%) and finally, those who were above the age of 50 were only 3(7.5%).

**Figure 2: Educational Level**

When it came to the educational level of the respondents, majority of them had attained a tertiary level of education, 17(42.5%). This was then followed by 12(30%) who had attained secondary level of education. This was closely followed by 11(27.5%) who had attained university level of education. The study concluded that the majority of the staff in Supa Loaf enterprises attained a tertiary level of education.

**Figure 3: Department**

When it came to the department of the respondent’s majority 20(50%) indicated procurement while finance and administration tied with each indicating 10(25%) respectively. The study revealed that most of the respondents were from the procurement department.

**Figure 4: Position**

When asked about their position in the company the response was as follows 22(55%) indicated middle management while 10(25%) indicated junior management. The remaining portion of 8(20%) indicated top management. The study concluded that most of the respondents in the study were drawn from the middle management.

**Figure 5: Years worked in the company**

According to how long they have worked in Supa Loaf enterprises, majority 24(60%) indicated more than 10 years while 14(35%) indicated less than 10 years the remainder 2(5%) indicated less than 5 years. The study revealed that most of the workers have stayed long enough in the company thus giving true results.

**4.3.2 Procurement Process Management**

**Figure 6: Procurement method commonly used in the organization**

Pertaining procurement method commonly used in the organization the response was as follows 30(75%) indicated open tendering while 6(15%) indicated restricted tendering the remaining 4(10%) indicated direct tendering. This implied that Supa loaf supplier’s enterprises do tender openly.

**Table 2: Management knowledge in technological changes**

|  |  |  |
| --- | --- | --- |
| **FACTOR** | **FREQUENCY** | **PERCENTAGE** |
| Yes | 23 | 57.5 |
| No | 17 | 42.5 |
| **TOTAL** | **40** | **100** |

Table 4.2 above shows that 23(57.5%) of the respondents indicated yes the management have knowledge in technological changes. While their remaining counterparts 17(42.5%) indicated no. The above findings show that the management is knowledge enough when it comes to technological changes.

**Figure 7: Management share information by using simulation approaches**

When asked whether the management share information by using simulation approaches company majority of the respondents 13(32.5%) indicated at a very large extent, 11(27.5%) indicated large extent, 9(22.5%) indicated very low extent, 5(12.5%) low extent while 2(5%) indicated moderate. This revealed that Supa Loaf Suppliers management share information using simulation approaches.

**Table 3. Management concerned with external groups**

|  |  |  |
| --- | --- | --- |
| **FACTOR** | **FREQUENCY** | **PERCENTAGE** |
| Yes | 32 | 80 |
| No | 8 | 20 |
| **TOTAL** | **40** | **100** |

Table 3 above shows that 32(80%) of the respondents indicated yes, the management are concerned with external groups. While their remaining counterparts 8(20%) indicated no. The above findings show that the management is corned with working with external groups.

**4.3.3 Buyer-Supplier relationship**

**Figure 8: Trust between retailer – supplier relationships**

According to the figure above the respondents indicated 25(62.5%) when asked about trust factor between retailer-supplier relationships. While their remaining counterparts 15(37.5%) indicated no. The researcher concluded that there is a trust factor between the retailer and the supplier in their business relation.

**Table 4: Effective communication**

|  |  |  |
| --- | --- | --- |
| **FACTOR** | **FREQUENCY** | **PERCENTAGE** |
| Very large extent | 17 | 42.5 |
| Large extent | 11 | 27.5 |
| Moderate | 0 | 0 |
| Very low extent | 8 | 20 |
| Low extent | 4 | 10 |
| **TOTAL** | **40** | **100** |

When asked about effective communication majority of the respondents indicated 17(42.5%) at a very large extent, 11(27.5%) indicated large extent, 8(20%) indicated at a very low extent and 4(10%) indicated at a low extent. The researcher concluded that effective communication is crucial to maintain a long-term buyer relationship and achieve high performance.

**Figure 9: Information shared between organization and suppliers**

According to the figure above the respondents indicated 8(20%) when asked in information is well shared between the organization and the suppliers. While their remaining counterparts 32(80%) indicated no. From the findings it was concluded that information is well shared between the organization and the suppliers this strengthens their businesses.

**Table 5: Strategic supplier partnership lead to better supplier relationship**

|  |  |  |
| --- | --- | --- |
| FACTOR | FREQUENCY | PERCENTAGE |
| No extent | 0 | 0 |
| Little extent | 1 | 2.5 |
| Moderate | 2 | 5 |
| Great extent | 23 | 57.5 |
| Very great extent | 14 | 35 |
| TOTAL | 40 | 100 |

According to table 5 above, a great number of the respondents 23(57.5%) agreed that strategic supplier partnership lead to better supplier relationship. This was then followed by 14(35%) which indicated that they very great extent. Another section of the respondents of 2(5%) and 1(2.5%) indicated moderate and little extent respectively. The researcher concluded strategic supplier partnership lead to better supplier relationship management and thus better performance of Supa Loaf suppliers’ enterprises.

**4.3.4 Supplier Selection Procedure**

**Figure 10: Quality Assessment**

According to the figure above the respondents indicated yes with a representation of 35(87.5%) when asked if quality assessment is a key factor to supplier selection procedure. While 5(12.5%) indicated no. from this the researcher concluded that quality assessment is indeed a key factor to supplier selection procedure.

**Table 6: High quality products**

|  |  |  |
| --- | --- | --- |
| **FACTOR** | **FREQUENCY** | **PERCENTAGE** |
| Very large extent | 21 | 52.5 |
| Large extent | 14 | 35 |
| Moderate | 2 | 5 |
| Very low extent | 2 | 5 |
| Low extent | 1 | 2.5 |
| **TOTAL** | **40** | **100** |

When asked on the above variable majority of the respondents 21(52.5%) of the respondents indicated very great extent. Followed by 14(35%) indicated large extent. This was followed distantly by 2(5%) which indicated moderate and very low extent while 1(2.5%) of the respondents indicated low extent. The findings concluded that high quality products improve performance in the organization.

**Figure 11: Cost**

According to the figure above the respondents indicated yes with a representation of 35(87.5%) when asked if they consider cost a vital element. While 5(12.5%) indicated no. The researcher concluded that cost is a vital element to the supplier.

**4.3.5 Organization Capacity**

**Figure 12: Adoption of technology improved performance**

When asked to respond regarding adoption of technology improved performance of Supa Loaf Supplier enterprises, 19(47.5%) indicated no extent, while there was a tie between those who responded little extent and moderate at 6(15%). It reveals that majority of the respondents did not concur that adoption of technology improves performance of the organization through shorter turnaround time.

**Figure 13: Knowledge management assist in improving quality of goods and services**

When asked about knowledge management assist in improving quality of goods and services, a good number of the respondents 15(37.5%) indicated Very great extent. This was then followed by 11(27.5%) who stated great extent. 7(17.5%) of the respondents indicated moderate which was followed closely by 6(15%) who stated little extent. It is safe to conclude that knowledge management does assist in improving the quality of goods, works and services offered to Supa Loaf Suppliers enterprises.

**Table 8: Distribution and delivery made at the right time**

|  |  |  |
| --- | --- | --- |
| FACTOR | FREQUENCY | PERCENTAGE |
| No extent | 5 | 12.5 |
| Little extent | 4 | 10 |
| Moderate | 8 | 20 |
| Great extent | 11 | 27.5 |
| Very great extent | 12 | 30 |
| TOTAL | 40 | 100 |

As per distribution and delivery is made at the right time due to information sharing, 12(30%) indicated very great extent, while 11(27.5%) indicated great extent. This was then followed closely by 8(20%) that indicated moderate and 5(12.5%) indicated no extent. Only 4(10%) indicated little extent. The findings concluded that distribution and delivery is made at the right time and place due to information sharing and customer orientation.

**Figure 14: There are strategic partnerships in place**

According to figure 11, 17(42.5%) of the respondents disagreed that there is strategic supplier partnership in place. This was then followed by 12(30%) who indicated little extent. 6(15%) chose moderate while 7.5% indicated great extent. 5% indicated very great extent. This clearly states that there are strategic supplier partnerships in place in the organization.

# CHAPTER FIVE

# SUMMARY, CONCLUSION AND RECOMMENDATIONS

# 5.1 Introduction

This chapter presents the summary, conclusions and recommendations of the study. The prime objective of the study was to establish the effects of procurement process in performance of supplies enterprises in Supa Loaf Suppliers in Nairobi County.

# 5.2 Summary of the Study

The majority of the respondents, 25(62.5%) who took part in the survey were male whereas 15(37.5%) were female. The respondents who were between the ages of 25-30 were 4(10%). Those who were between 30-35 were 10(25%). Those between 35-40 were 16(40%). Those between 45-50 were 7(17.5%) and finally, those who were above the age of 50 were only 3(7.5%). When it came to the educational level of the respondents, majority of them had attained a tertiary level of education, 17(42.5%). This was then followed by 12(30%) who had attained secondary level of education. This was closely followed by 11(27.5%) who had attained university level of education. The study concluded that the majority of the staff in Supa Loaf enterprises attained a tertiary level of education. When it came to the department of the respondent’s majority 20(50%) indicated procurement while finance and administration tied with each indicating 10(25%) respectively. The study revealed that most of the respondents were from the procurement department.

When asked about their position in the company the response was as follows 22(55%) indicated middle management while 10(25%) indicated junior management. The remaining portion of 8(20%) indicated top management. The study concluded that most of the respondents in the study were drawn from the middle management. According to how long they have worked in Supa Loaf enterprises, majority 24(60%) indicated more than 10 years while 14(35%) indicated less than 10 years the remainder 2(5%) indicated less than 5 years. The study revealed that most of the workers have stayed long enough in the company thus giving true results. Pertaining procurement method commonly used in the organization the response was as follows 30(75%) indicated open tendering while 6(15%) indicated restricted tendering the remaining 4(10%) indicated direct tendering. This implied that Supa loaf supplier’s enterprises do tender openly.

23(57.5%) of the respondents indicated yes, the management have knowledge in technological changes. When asked whether the management share information by using simulation approaches company majority of the respondents 13(32.5%) indicated at a very large extent, 11(27.5%) indicated large extent, 9(22.5%) indicated very low extent, 5(12.5%) low extent while 2(5%) indicated moderate. 32(80%) of the respondents indicated yes, the management are concerned with external groups. The respondents indicated 25(62.5%) when asked about trust factor between retailer-supplier relationships. While their remaining counterparts 15(37.5%) indicated no. When asked about effective communication majority of the respondents indicated 17(42.5%) at a very large extent, 11(27.5%) indicated large extent, 8(20%) indicated at a very low extent and 4(10%) indicated at a low extent. 8(20%) when asked in information is well shared between the organization and the suppliers. While their remaining counterparts 32(80%) indicated no.

A great number of the respondents 23(57.5%) agreed that strategic supplier partnership lead to better supplier relationship. This was then followed by 14(35%) which indicated that they very great extent. Another section of the respondents of 2(5%) and 1(2.5%) indicated moderate and little extent respectively. The respondents indicated yes with a representation of 35(87.5%) when asked if quality assessment is a key factor to supplier selection procedure. While 5(12.5%) indicated no. When asked on the above variable majority of the respondents 21(52.5%) of the respondents indicated very great extent. Followed by 14(35%) indicated large extent. This was followed distantly by 2(5%) which indicated moderate and very low extent while 1(2.5%) of the respondents indicated low extent. The respondents indicated yes with a representation of 35(87.5%) when asked if they consider cost a vital element. While 5(12.5%) indicated no. When asked to respond regarding adoption of technology improved performance of Supa Loaf Supplier enterprises, 19(47.5%) indicated no extent, while there was a tie between those who responded little extent and moderate at 6(15%).

When asked about knowledge management assist in improving quality of goods and services, a good number of the respondents 15(37.5%) indicated Very great extent. This was then followed by 11(27.5%) who stated great extent. 7(17.5%) of the respondents indicated moderate which was followed closely by 6(15%) who stated little extent. As per distribution and delivery is made at the right time due to information sharing, 12(30%) indicated very great extent, while 11(27.5%) indicated great extent. This was then followed closely by 8(20%) that indicated moderate and 5(12.5%) indicated no extent. Only 4(10%) indicated little extent. 17(42.5%) of the respondents disagreed that there is strategic supplier partnership in place. This was then followed by 12(30%) who indicated little extent. 6(15%) chose moderate while 7.5% indicated great extent. 5% indicated very great extent.

# 5.3 Conclusions

The study concluded that the majority of the staff in Supa Loaf enterprises attained a tertiary level of education and were from the procurement department. Most of the respondents in the study were drawn from the middle management and the workers have stayed long enough in the company thus giving true results. It implied that Supa loaf supplier’s enterprises do tender openly and they use newspaper advertisement as means to invite suppliers to bid for tenders.

It was also revealed that Supa Loaf Suppliers enterprises do invite prospective bidders for pre-bid conference. From the findings it showed that the management is knowledge enough when it comes to technological changes. This revealed that Supa Loaf Suppliers management share information using simulation approaches. The researcher concluded that the management is corned with working with external groups. The researcher concluded that there is a trust factor between the retailer and the supplier in their business relation.

The researcher concluded that effective communication is crucial to maintain a long-term buyer relationship and achieve high performance. From the findings it was concluded that information is well shared between the organization and the suppliers this strengthens their businesses. The researcher concluded strategic supplier partnership lead to better supplier relationship management and thus better performance of Supa Loaf suppliers’ enterprises. The researcher found out that quality assessment is indeed a key factor to supplier selection procedure. The findings concluded that high quality products improve performance in the organization. The researcher concluded that cost is a vital element to the supplier.

Majority of the respondents did not concur that adoption of technology improves performance of the organization through shorter turnaround time. It is safe to conclude that knowledge management does assist in improving the quality of goods, works and services offered to Supa Loaf Suppliers enterprises. The findings concluded that distribution and delivery is made at the right time and place due to information sharing and customer orientation. This clearly states that there are strategic supplier partnerships in place in the organization.

## 5.4 Recommendation

The study examined how the effect of procurement management on the performance of Supa Loaf Suppliers in Nairobi County. The study found out that the management uses bidder in the process of procurement, therefore there is need for the relevant stakeholders to make sure the procurement process through bidding be transparent and efficiency so as to help the bidders trust and communicate well to the organization.

Secondly the study found out that there is a good buyer-supplier relationship in the organization that improves the performance of Supa Loaf Suppliers in Nairobi County. Still there is need for the management to ensure there is good communication between the buyer and the supplier so as the performance will be enhanced.

Also, supplier selection procedures should be adhered to in the organization because the study showed that selection procedures affects performance of Supa Loaf Suppliers in Nairobi County.

## 5.5 Suggestion for Further studies

This study sought to establish the effects of procurement process in performance of supplies enterprises in Supa Loaf Suppliers in Nairobi County. There is a need for further studies to be carried out in other counties to ascertain the effects of procurement process in performance of supplies enterprises. In addition, more variables depicting procurement process on performance should be adopted to uphold the study’s findings that indeed enterprises with positive effects have highly improved the performance of supplier enterprises. Also, this study only covers four variables simultaneously (procurement management, buyer-supplier relationships, supplier selection procedures and organizational capacity). Future studies could increase the scope and consider each of the four variables independently.

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# APPENDICES

# APPENDIX I: INTRODUCTION LETTER

**DANIEL MANUT DENG**

**P.O. Box 6026\_00200**

**Nairobi**

Dear Respondent,

I am a diploma student from African Institute of Project Management Study (AIPMS**),** I intend to carry out a research on the effects of procurement process in performance of supplies enterprises in Supa Loaf Suppliers in Nairobi County. Your responses to the questions in the paper will make the study a success. Read the questions carefully and provide the right answers to the questions as honestly as you can. The data collected will be treated with a very high degree of confidentiality and it is meant for academic purpose only. I would be grateful if you kindly spare some time to fill the questionnaire.

Thanks in advance.

**Yours Faithfully,**

**DANIEL MANUT DENG**

**APPENDIX II: QUESTIONNAIRES**

**PART A: GENERAL INFORMATION**.

1. Name ………………………………………………………………………………………
2. What is your position in this organization?

………………………………………………………………………………………

1. Gender
2. Male
3. Female
4. Age
5. 25-30
6. 30-35
7. 35-40
8. 45-50
9. 50 and above
10. Which Department are you?
11. Procurement
12. Administration
13. Finance
14. Other……………..
15. Which Position
16. Top management procurement staff
17. Middle level procurement staff
18. Junior procurement staff
19. Other……………..
20. How long have you worked in this company?
21. Less than 5 years
22. Less than 10 years
23. More than 10 years
24. Kindly indicate the procurement method commonly used in your organization.
25. Open Tendering
26. Restricted Tendering
27. Direct Tendering
28. Kindly indicate the means through which you invite suppliers to bid for tenders in your organization.
29. Newspaper advertisements
30. Email invitations
31. Company websites
32. Request for Proposals
33. Professional Magazines
34. Are prospective bidders invited for a pre-bid conference?
35. Yes
36. No

**PART B: Procurement Practices employed by your organization**

Kindly indicate the extent to which you agree with the following statements concerning procurement practices in your organization performance

Use the scale of

(1 – No extent 2 – Little extent 3 - Moderate 4 – Great extent 5 – Very great extent)

(1 – No extent 2 – Little extent 3 - Moderate 4 – Great extent 5 – Very great extent)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Statement** | **1** | **2** | **3** | **4** | **5** |
| Customer Orientation as a procurement practice improves organization performance. |  |  |  |  |  |
| Adoption of Technology improved the performance of the organization through shorter turnaround time. |  |  |  |  |  |
| Strategic Supplier Partnership lead to better supplier relationship management and thus better performance for the organization |  |  |  |  |  |
| Distribution and delivery are made at the right time and place due to information sharing and customer Orientation. |  |  |  |  |  |
| Reverse Logistics is practiced in the organization |  |  |  |  |  |
| Customer Orientation is periodized in the organization. |  |  |  |  |  |
| There are strategic supplier partnerships in place. |  |  |  |  |  |
| Information is well shared between the organization and the suppliers |  |  |  |  |  |
| Knowledge Management has assisted in improving the quality of goods, works and services offered to the organization. |  |  |  |  |  |

***Thank you for your co-operation***