

**INFLUENCE OF STRATEGIC PROCUREMENT ON THE PERORMANCE  
OF PUBLIC ENTERPRISES IN KENYA: A CASE OF KENYA POWER  
COMPANY LIMITED, NAIROBI**

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## **ABSTRACT**

Strategic procurement is the process of creating alignment and consistency of action that establishes the long range objectives and overall strategy by which procurement function fulfills its mission. It entails the transformation of an organization's mission, goals, and objectives into measurable activities to be used to plan, budget and manage the procurement function. During the last two decades procurement has undergone profound changes. Policy makers, academicians and practitioners alike share the broad view that procurement has evolved from a clerical signoff-ridden set of activities to a strategic public administrative tool that can enhance efficiency in public organizations. Today, procurement is recognized as the most single function that contributes immensely to organizational performance and accounts for huge proportion of total expenditure in many countries. However, despite significant expenditure in resource allocation to procurement, there is a growing concern that organizational performance by many public enterprises in developing countries is becoming a challenge. Poor distribution of electricity by KPCL in Kenya for example, can be attributed to ineffective procurement systems within the organization. Consequently adoption of strategic procurement as suggested by many researchers may offer part of the solution. The objectives of this study were; to establish the extent to which strategic procurement has been adopted at KPCL, to examine the extent to which strategic procurement influences the performance of Kenya Power Company and to establish the challenges that face Kenya Power Company in implementing strategic procurement. The study was based on institutional, socio-economic and systems theories. The research problem used a case study. The population of interest was employees working in Kenya Power Company Limited head office, Nairobi. Purposive sampling was used to pick the primary sample of 55 out of the total population of 110 employees. The study used both primary and secondary data. Primary data was collected using semi-structured questionnaire and secondary data from research proposals, internet, journals and books. The questionnaires correctly filled were coded; the data entered into statistical package for social sciences and analyzed based on descriptive statistics. Study findings indicated that strategic procurement has a positive impact on the performance of public enterprises; such as reduced costs, improvements in quality of goods and services in the organization. Challenges of implementing strategic procurement in public enterprises include changes in technology, employees' lack of requisite skills to undertake strategic procurement, lack of management commitment to strategic plans and weak governing policies and regulations. Lack of cooperation and teamwork during implementation and corruption are also major impediments. The study recommends that strategic procurement should always be considered pivotal to an organization's performance. Organizations should ensure they have competent employees in procurement and strategic management to chart a way forward for the procurement function. The extent of the study was limited to Kenya Power Company Limited headquarters Nairobi. The findings may not be applicable to all the other enterprises but can be generalized in Kenya and the world at large. The questionnaires provided limited information due to confidentiality concerns.

## **CHAPTER ONE: INTRODUCTION**

### **Background**

Procurement refers to the acquisition of goods, services and works by a procuring entity, while public procurement, means the acquisition of goods, services and works by a procuring entity using public funds (Kipkorir, 2013 )

The evolution of procurement dates back to between 2400 and 2800 B.C. (Thai, 2001), with a procurement order of fifty (50) containers of oil (Coe, 1989). Other historical evidence of procurement activities was the development of the silk trade that involved China and Greek in 800 B.C. (Thai, 2001).

### **Global Perspective**

Indeed, globally, estimates of the financial activities of government procurement managers are believed to be in the order of 10% – 30 % of GNP (Calender& Mathews, 2012). In the United States, the public sector procures between \$1.4 and \$1.6 trillion annually. The Federal government alone procured \$231.08 billion and made 33.19 million procurement actions in fiscal year 2012. According to the Procurement Executives Council (2011), the federal government made a purchase card payment every .31 seconds, and issued a standard form 281 every .77 second and a standard form 279 every 13.91 seconds per each working day.

These procurement objectives and policies are implemented either by non-legal means such as internal administrative circulars directing the activities of procurement officers

(in the United Kingdom, and those countries under the U.K.'s influence such as Malaysia), or by formal statutes, rules or regulations (in France, many European countries and the U.S.). Over the last decade, a significant number of countries, particularly the transition countries, have adopted public procurement rules and regulations for the first time or have reformed their existing procurement legal provisions (Arrowsmith, 1998,).

In developing countries, public procurement is increasingly recognized as essential in service delivery (Basheka, 2010 cited in Kipkorir 2013). It accounts for a high proportion of total expenditure. For example, public procurement accounts for 60% in Kenya (Bhatt, 2000), 58% in Angola, 40% in Malawi and 70% of Uganda's public spending (Wittig, 1999). This is very high when compared with a global average of 12-20 % (Froystad *et al.*, 2010).

Due to the colossal amount of money involved in government procurement and the fact that such money comes from the public, there is need for accountability and transparency. Consequently, various countries both in developed and least developed countries (LDCs) have instituted procurement strategies to make the activity both efficient and effective.

### **1.1.2 History and Current State of public Procurement in Kenya**

In Kenya, public procurement was underway well before the establishment of the Public Procurement and Disposal Act of 2005. According to Mulei (2000), the Government's

procurement system was originally contained in the Supplies Manual of 1978, which was supplemented by circulars that were issued from time to time by the Treasury. A review of the country's public procurement systems was undertaken in 1999 and established that there was no uniform procurement system for the public sector as a whole. Consequently application of the rules was not strict and many of the norms were not followed (Bukhala, 2003 cited in Shiundu & Rotich, 2014)

Between 2001 and 2004, the Public Procurement and Disposal Bill was drafted and modified several times. After being assented to by the president, it became the Public Procurement and Disposal Act of 2005. This Act contains the Regulations that are meant to effectively ensure that the procurement process is fair and just. The Rules and Regulations, herein known as the Public Procurement Regulations of 2005, became operational on 1 January 2007, (Public Procurement Oversight Authority, 2007).

The Act established the public procurement oversight authority (PPOA) as an independent body to oversee and regulate procurement in the entire public service. The PPOA was to ensure that the procurement procedures established under this Act are complied with, to monitor the public procurement system, initiate public procurement policy and propose amendments to this Act and to perform such other functions and duties as provided for under this Act . Another salient feature is the establishment of the Administrative and Appeals Board (AAB) to receive appeals from parties who have reason to believe proper procedures were not followed during procurement. Finally, the Act also provides for the establishment of procurement units (departments) in individual

Enterprises to handle the procurement process so as to ensure that procurement decisions are made in a systematic and structured way.

### **1.1.3 Strategic Procurement**

Strategic procurement is the process of creating alignment and consistency of action that establishes the long range objectives and overall strategy or course of action by which procurement function fulfills its mission. It entails the transformation of an organization's mission, goals, and objectives into measurable activities to be used to plan budget and manage the procurement function (Doran, 1981& Kocabasoglu, 2002)

Strategic procurement can be approached from three main dimensions namely: Development and management of key suppliers, internal operation of procurement function and coordination of purchasing with other functions within the firm, and efforts to meet or exceed customer expectations. It is seen as one of the critical function of an organization with the potential to; save cost, improve operational efficiency, access to trusted suppliers, and improve in quality of product or service, sharing of best practices among others (Magnus, 2006).

There are various strategic procurement practices that affect organizational performance. However, the main approaches discussed in this study comprise; strategy development, spend analysis, supplier relationship management, measurement plan, and technology utilization, (CIPS Australia, 2010).

#### **1.1.4 Organizational Performance**

Organizational performance is the ability of an organization to fulfill its mission through sound management, strong governance and a persistent rededication to achieving results, (Parasuraman2002).The author, further contends that enterprises that have adopted strategic procurement are able to deliver their products and (for this study), services. When defining Organizational performance, it is important to consider a wide variety of potential organizational performance indicators. This research considers organizational performance in terms of quality, productivity and service delivery, reduction of waste, cost reduction and public (customer) satisfaction.

#### **1.1.5 The Kenya Power Company**

Kenya Power Company Limited (KPCL) formerly Kenya Power and Lighting Company (KPLC) is a limited liability company which transmits, distributes and retails electricity to consumers throughout Kenya. It is listed in the Nairobi Stock Exchange (NSE). The company is national electricity utility; tasked with the responsibility of transmission and distribution of energy so as to enhance customer connectivity, improve delivery of customer services, achieve financial stability and sustainability, improve transmission and distribution efficiency and modernize operations through automation in order to enhance efficiency and customer relations.

On June 22, 2011 Kenya Power & Lighting Company (KPLC), the Kenyan electricity provider, was rebranded by shortening its name to Kenya Power (KP) and introduced a new corporate identity. The rebrand is part of a larger strategy which includes increasing population access to electricity and making the company better in all sorts of ways. KPCL

headquarters are at Stima Plaza, Kolobot Road adjacent to Murang'a Road in Parklands, Nairobi. The organization is tasked with the responsibility of transmission and distribution of energy so as to enhance customer connectivity, improve delivery of customer services, achieve financial stability and sustainability, improve transmission and distribution efficiency and modernizes operations through automation in order to enhance efficiency. The organization has a Procurement Function with its headquarters in Nairobi. The function is represented by Regions in Mombasa, Nakuru, Kisumu, Eldoret, Nyeri and Thika.

## **1.2 Statement of the Problem**

In both developed and developing countries, procurement is increasingly recognized as the most essential in service delivery and it accounts for huge proportion of total expenditures. Due to the colossal amount of money involved in government procurement and the fact that such money comes from the public, substantial resources have been committed by governments; Kenya included, towards implementing different strategies in order to improve organizational performance in Government agencies to make them efficient, effective, accountable and transparent.

However, as Leni *et al.* (2012) notes, there is a growing concern among the citizenry and governments alike that despite the implementation of such strategies, organizational performance in public enterprises, is still falling. Kenya Power Company Limited for instance, has not been able to adequately distribute electricity services to the public and this can be attributed to lack of proper strategic procurement.

It is against this backdrop that this study would like to establish the influence of strategic procurement on the performance of public Enterprises in Kenya, a case of Kenya Power Company Limited, Nairobi.

### **1.3 Objectives of the Study**

The study specifically sought to:

1. Establish the extent to which Kenya Power Company Limited has adopted strategic procurement
2. Examine how adoption of strategic procurement has influenced the performance of Kenya Power Company Limited
3. Evaluate the challenges Kenya Power Company Limited has encountered in implementing strategic procurement

### **1.4 Research Questions**

1. Do what extent has Kenya Power Company Limited adopted strategic procurement?
2. How has the adoption of strategic procurement influenced the performance of Kenya Power Company Limited?
3. What challenges is Kenya Power Company Limited facing in implementing strategic procurement?

### **1.5 Assumptions of the Study**

The study was conducted on the following assumptions:

That the employees in the study area are professionals and therefore were to give valuable information on strategic procurement practices

That the participants were to give accurate, truthful and honest responses.

That all the employees in Kenya Power Company Limited, head office, Nairobi understood what strategic procurement was, and thus, there was no difference in perception of procurement activities in the organization and other enterprises.

### **1.6 Justification and Significance of the Study**

The study findings are important to Kenya Power Company which is the institution tasked with distribution of power not only to the public but also to the private sector. The findings shed light on how strategic procurement can assist procurement department perform its functions cost effectively and how this might influence on the overall organizational performance.

Apart from Kenya Power Company, the findings are important to other public entities and other government units since its findings will shed light on the importance of strategic procurement in the public sector. The public agencies would therefore use these findings to enable them weather down the storm and formulate policies and strategies that would enable the public sector to play a positive role in enhancing government competitiveness in the provision of services to the citizenry.

The study also provides scholars and academicians with a repertoire of knowledge on how strategic procurement might play a role in enhancing cost effective functions that contribute to the overall performance of an organization. Recognizing that usually research raises more questions than it sought to answer, it is hoped that the limitations from study would assist in generating research interests in the phenomenon of strategic procurement, especially in the public sector.

## **1.7 Limitations and delimitations of the Study**

1. shortage of relevant literature specific to the Kenyan situation was experienced. However, since the phenomenon of strategic procurement has a universal application, the researcher relied on a review of relevant literature, some of which have been carried out in other countries in Africa so as to apply to the Kenyan situation.

2. Secondly, since the study was conducted exclusively among the employees of Kenya Power company headquarters, the findings of the study was limited to, and could only be applicable to the study organization and research population. Due to this, the findings can only be generalized to other public enterprises.

3. Respondents were reluctant to give full information because of company confidentiality. This problem was solved by assuring the employees that the information was to be treated with confidentiality and only used for academic purposes.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter presents the theoretical framework, empirical literature, conceptual framework, and gaps to be filled by the study. Specifically, the chapter discusses the institutional theory, socio-economic theory and systems theory. It also presents in detail the factors influencing organizational performance in public enterprises. Past studies concerning the current study are also presented in details in this chapter.

### **2.2 Theoretical Framework**

#### **2.2.1. Institutional Theory**

According to Scott (2004), institutions are composed of cultural-cognitive and regulative elements that, together with associated activities and resources give meaning to life. He further explains the three pillars of institutions as regulatory, normative and cultural cognitive.

The regulatory pillar emphasizes the use of rules, laws and sanctions as enforcement mechanism, with expedience as basis for compliance. The normative pillar refers to norms (how things should be done) and values (preferred or desirable), social obligation being the basis of compliance. The cultural-cognitive pillar rests on shared understanding (common beliefs, symbols, and shared understanding).

This theory is very important when it comes to the implementation of strategic procurement policy and practices in organizations that serve the public. This is a matter of organizational culture and the degree to which the prevailing climate in an organization is supportive of strategy and changes in general. In other respects, this

dimension includes the extent to which there is support for strategic procurement at senior levels in an organization and the degree to which organizational processes and structures support, or retard, the development of strategic procurement (Brammer & Walker, 2007).

### **2.2.2 Socio-economic Theory**

Sutinen and Kuperan (1999) propounded the socio-economic theory of compliance by integrating economic theory with theories from psychology and sociology to account for moral obligation and social influence as determinants of individuals' decisions on compliance

According to Lisa (2010) psychological perspectives provide a basis for the success or failure of organizational compliance. Wilmshurst and Frost (2000) also add that socio-economic theory postulates that the organization is responsible to disclose its practices to the stakeholders, especially to the public and justify its existence within the boundaries of society.

This theory, which focuses on the relationship and interaction between an organization and the society, provides a sufficient and superior lens for understanding government procurement system (Hui *et al.* 2011). From this theory we can understand the policy, planning and strategic procurement practices in public institutions and their influence on service delivery to the society.

### **2.2.3 Systems Theory**

This theory was first applied in the fields of science and engineering before finding its way into management in the late 1950s. The roots of systems theory can be traced back to

such figures as psychologist Gestalt and Kurt Lewin, whose “field theory” of group dynamics emphasized that the whole is more than the sum of its parts, (Nwabuzor, 2005).

According to this theory, an organization is viewed as a group of parts that are highly interrelated and interdependence. Systems-oriented managers constantly think in terms of the overall mission and major objectives of the total system in making decisions.

An organization requires the parts to add value to the overall performance. Value-based management requires that procurement individuals perform processes that go beyond traditional “buying” processes and obtain relevant information from the external environment or their customers and transmit it to the appropriate individuals (Nwabuzor, 2005).

The relevance of this argument in this study is that, an organization receives inputs from the outside world which it then transforms, (the process known as throughputs) into output and takes it back to the world for use as consumables. An organization will need suppliers to provide the input it requires. The inputs could either be materials, information or even human capital.

The systems approach is very useful in strategic procurement decision making. By understanding that the organization must obtain inputs from suppliers, the procurement managers will be better placed to ensure that supplier selection is done thoroughly. The result will be a highly efficient procurement function that serves the organization leading to high performance.

## **2.3 Empirical Review**

### **2.3.1 Strategic Procurement**

For this study, five key success factors which characterize effective strategic procurement were shortlisted for consideration: strategy development, spend analysis, supplier relationship management, measurement plan, and technology utilization

#### **2.3.1.1 Strategy development**

The first step in the development of a strategic procurement plan is to develop a clearly identified goal which is aligned with the organization's mission, vision and values. A goal is a broad statement of intended outcome. Goals are supported by measurable objectives. Measurable objectives should be clear and specific enough that at the end of the plan's implementation independent observers could agree as to whether the objective was or was not met (CIPS Australia, 2010).

The acronym SMART is often used to provide guidance in the development of objectives. SMART stands for: specific, measurable, actionable, realistic and time bound. These objectives are the basis upon which progress can be evaluated. Strategic procurement activities should be tailored to those values that are in line with the overall business goals (Kathama, 2012). This is important in giving the procurement function the force it requires in gaining the competitive edge that makes it realize or achieve intended goals. Hence, development of procurement strategies enables the procurement function to have direction and rally its resources in pursuit of these corporate goals. (Swinder, & Seshadri, 2001)

### **2.3.1.2 Spend Analysis**

According to Moore (2004), spend analysis, centers directly on the money spent to allow management to make adjustments wherever they see fit. More specifically, spend analysis has been defined as “an analysis of expenditures along dimensions such as type of commodity or service and suppliers, number of contracts and expenditures, and other variables showing how current money is spent on goods and services performance. The data for spend analysis can take many forms and originate from various sources. As the definitions above illustrate, spend data can be any money spent on the procurement of goods or services, or even day-to-day business activities (Porter, 1985). The author further argues that data could be taken from the personal expense accounts of senior management, the financial reports of potential suppliers, or possibly the number of contracts related to a particular commodity.

Moore *et al.* (2004 cited in Irvine 2005), writes that the data used for spend analysis can “reveal targets of opportunity where altering purchasing practices could result in significant performance improvements or savings. Carter *et al.* (2003), asserts that by applying spend analysis to business processes, procurement officials position themselves to institute procedures and/or checkpoints that deter and control random spending. Random spending refers to any expenses that have not been incorporated into a firm’s strategic purchasing plan. While it is unrealistic to imply that all business-related expenses can be foreseen, and therefore, planned for, by utilizing this technique, organizations are able to identify and improve their purchasing processes in areas where the greatest benefit can be realized—where exactly the change occurs depends on the particular company and their long-range goals, (Moore *et al.*, 2004 cited in Irvine 2005).

Nevertheless, knowing what to buy and when to buy it is critical in efficient allocation of resources and may be the basis for decision to be made on what need to purchased centrally and what to decentralize (Mohamood, 2010)

### **2.3.1.3 Establishment of a Measurement Plan**

Hendricks and Ruch (1998) noted that measurement plans are important elements of a strategic procurement plan. Measurements should be designed to provide an indication, on an ongoing basis, of the progress being made toward the achievement of tactics and strategies in support of objectives and goals. Further they argue that, to ensure that the plan is actionable and used to achieve the desired results, it is important to establish accountability for strategies and tactics, to assign measures to monitor success and to report regularly on progress. Good progress may indicate an opportunity to strengthen or increase focus on specific strategies, while not meeting goals may suggest the need for modifications.

Strategic procurement, including the design and implementation of sourcing plans, should be measured in terms of the benefits that they have delivered compared with what they were expected to deliver as set out in the original procurement plan. This might take the form of a post-contract audit perhaps one year after the contract had been let. The findings should be reported to and discussed by the purchasing and supply management professional(s) and their Sourcing Board in order to learn from experiences and build on current commercial arrangements (CIPS, 2010).

#### **2.3.1.4 Supplier Relationship Management (SRM)**

Supplier relationship has been defined as “two or more chain members working together to create a competitive advantage through sharing information making joint decisions and sharing benefits which result from greater profitability of satisfying customer needs than acting alone (Sridharan, 2002 cited in Oyukeand Shale, 2014).

According to (Mac Neil, 2002) supplier relationship is departure from the anchor point of discreteness that underlies business transactions to a relational exchange as the roles of supplier and buyer are no longer narrowly defined in terms of simple transfer of ownership of products. By focusing on relational exchange entails the activities that are undertaken jointly rather than unilaterally (Heide, 2003).

Zohar and Zenkatraman(2004),SimatupangandSridharan(2003), suggest that the requirements for effective collaboration are mutual objectives, integrated policies, joint decision making, information and sharing of benefits and losses. Buyer/supplier commitment is the belief that trading partners are willing to devote energy to sustaining the relationship (Dion *et al.*, 2004), whereas according to Moorman, and Deshpande (2002), buyer\supplier commitment is an enduring desires to maintain a valued relationship. Through commitment partners dedicate resources to sustain and further the goals of the collaboration.

Heide (2009) and Krause(2006), propose that the expectation of relationship is important for motivating collaboration in inter-organizational relationships. Simatupang and Sridharan (2005) noted that information sharing, joint decision making and incentive

alignment are factors that facilitate collaborative action through information exchange between the buyer and supplier. The strategic relationship with suppliers begins long before the first order is placed as noted by Carr and Pearson, (2002), and continues well beyond the receipt of goods. This relationship is far different from the transactional tactical supplier relationship. Strategic relationship management goes beyond procuring products and services. It seeks to maximize the benefit for both supplier and customer and identify and implement mutual successes that will be symbiotic to both parties (Stephan&Dalpe, 2005). They further argue that, SRM recognizes that different relationships will be required with different suppliers/providers.

Thai (2006) opines that this type of relationship will depend largely on the criticality and/or value of the goods or services they supply, and factors such as the number of suppliers in the market, and the global availability of a requirement. It allows procurement function to develop strategies for dealing with suppliers to achieve ongoing value for money, and reduce the risk of poor performance or non-delivery or non-availability. Further he says it allows the procurement organization to focus effort on the right suppliers and ensures that they are not being managed by their supplier.

#### **2.3.1.5 Technology Utilization**

At the public sector level, technology enhances infinite and non-restricted access to government information and increases market transparency and economic incorporation based on complementarities (Carayanni &Popescu, 2005).Among the main advantages that public administration can get through a system like this are: costs and process

cutting, possible broadening of supplier's base, easy access to preferred goods (pre-defined quality standards), information intelligibility and ease of comparison among goods and purchases logging and ensuing expenditure monitoring (Petrie,2001).Similarly, procurement technologies grasp a virtual market; open to capable suppliers and not restrictive selection criteria, in which public administrations can choose goods and services offered by several suppliers (Petrie, 2001). The whole process is digital, using digital signature in order to guarantee transactions lawfully.

Aberdeen Group (2006) noted that in comparison to faxed purchase orders and the use of Excel spreadsheets, an effective technology platform, including a robust database management component, is vital to providing reliable and accurate expenditure information for spend analysis and management. An integrated ERP system with an effective Procurement / e-procurement suite is a key enabler to successful strategic procurement planning.

Suffice to say, that the application of technology to support procurement is replete; results clearly show that the use of new technologies for instance, Electronic Data Interchange (EDI) increase the efficiency of the procurement as well as improve overall firm performance. However, adoption of technologies in organization operations is occurring at a slower pace than expected and such delays will make an organization to miss opportunities and expose them to unfavorable competition (Barney, 2008).

#### **2.4 Influence of Strategic Procurement on Organizational Performance**

Kai (2006) has opined that, strategic procurement allows procurement officers to develop strategies for dealing with suppliers to achieve ongoing value for money, and reduce the

risk of poor performance or non-delivery or non-availability. The author continues to argue that strategic procurement allows the procuring organization to focus effort on the right suppliers and ensures they are not being managed by their supplier. He further argues that strategic contracts, including enterprise approved terms and language in key clauses such as liability, attrition, cancelation, confidentiality and more, will ensure that public enterprises are assured that all legal, corporate and regulatory requirements are met; reducing risk at all levels particularly the financial penalties that can result from loosely constructed contracts.

Magnus (2006), argues that an organization practicing strategic procurement stands to benefit from; an overall reduction of quality costs by ensuring that the selected suppliers deliver a product or service that does not need extensive quality control, contribution to product and service innovation as most innovations in public institutions come from the suppliers and buyers, reduce stock levels by imposing a solid discipline on suppliers and enforce it.

In public enterprises, this will reduce the operational cost emanating from stock holding limits and other supplies thus helping to increase flexibility of service to customer by demanding it from partnered supplier through the technological platform for example Electronic Data Interchange( EDI) and synchronized data systems (Kiragu, 2012).

From development point of view, strategic procurement policies are significant. Reducing poverty and attaining health, education, and other objectives among the citizenry requires that the limited public funds available for public procurement of goods, services, and works are efficiently managed. Generally, the efficient, effective and professional

application of strategic procurement strategies can contribute towards sound management of public expenditures (Hunja, 2003). Efficient strategic procurement leads to the identification of major investment expenditures that in turn facilitates budgetary allocation and decision-making of procurement practitioners. It is difficult however, to envision how governments can deliver significant improvements in the welfare of its citizens without prudent management of public expenditure that emphasize on effective and efficient procurement policies. This recognition therefore accounts partly for the increasing concentration on strategic procurement processes and practices and the likely consequences of their implementation (Adu, 2011). Furthermore, there is a growing appreciation of the linkages between specific public enterprise objectives and strategic procurement practices. For instance, strategic procurement issues are often a central focus of programs to deal with corruption and to ensure that appropriate entrusted power for private gain by public officials are curbed (Everett, *et al.* 2005).

According to Kiplagat (2012); strategic procurement activities are assuming growing access to international markets. International trade negotiations, whether bilateral, regional, or multilateral—are an instrument through which governments in developed and developing countries address the terms upon which international companies can compete in domestic public procurement markets. Strategic procurement in this sense, increases donor trust in public systems and helps improve in donor funding, grants and loans, and foreign direct investment in developing countries.

On monetary income, there is creation of employment opportunities, growth of savings, growth of investment, fostering of domestic and export- oriented production, addition to t

national income, rise in the volume and speed of economic activities. If it is taken to consideration in an objective way, delay in proposal implementation by a single day ultimately results into a huge loss to the national economy in terms of one or more of the above influences acting simultaneously (Adu; 2011).

## **2.5 Challenges Facing Strategic Procurement**

Most Enterprises are facing a problem of rapid changes in procurement requirements. The changes are putting pressure on how the procurement function performs its internal and external processes and procedures in order to achieve its objectives.

Kakwezi and Sony (2010), notes that, the ability of any organization to realize procurement goals is influenced by internal force and external force. These Interactions between various departments, professionalism, staffing levels and budget resources, procurement organizational structure whether centralized or decentralized; procurement regulations, rules, and guidance, and internal control policies, all need attention and influence the performance of the procurement function and the organization. Strategies are more easily formulated than implemented. Implementation of workable strategies may require considerable patience on the part of procurement managers. Lyons and Farrington (2006), agrees that suppliers will take time to ride the learning curve in terms of doing business with the firm which may include understanding the firm's values, quality requirements among others. This therefore becomes a challenge in situations where mistrust prevails among the partners.

According to Thai (2001), public procurement practitioners have always walked on a tight rope. Their ability to accomplish procurement objectives and policies is influenced very much by internal forces including: Interactions between various elements of the procurement systems, various actors and sub-agencies within a department or executive agency and actors and Enterprises external to sub-agencies; types of goods, services and capital assets required for an agency's missions; Professionalism or quality of procurement workforce; Staffing levels ( ratio of procurement practitioners to contract actions) and budget resources; Procurement organizational structure such as the issue of centralization vs. Decentralization; Procurement regulations, rules and guidance; and Internal controls and legislative oversight. Efficient public procurement is a good tool to implement public policy in all areas, and should be an instrument for good governance and therefore good government. In this sense, good procurement contributes to the government's legitimacy and credibility.

On the contrary, inefficient public procurement increases poverty and inequality by diverting funds away from the attention of social needs; it engenders bad choices, encouraging competition in bribery rather than in quality or price ( Kiplagat, 2012)

Some of the key influences of corruption on procurement listed out by Transparency International (2006); include a financial influence and an economic influence. Financial influence can consist of unnecessarily high cost of purchases, burdening a government with financial obligations for purchases or investments that are not needed and early repair costs to repair and maintain investments. Economic influence can consist of burdening a government with operational, maintenance and debt servicing liability for

investments/purchases and when capital investment levels decrease because of corruption costs, it threatens business operators.

Value for money and reduction of waste and inefficiencies are important principles of procurement. The procurement department should provide value to the entire organization or government unit and should therefore entail consideration of the contribution to be made to advancing government policies and priorities while achieving the best return and performance for the money being spent (Bauld & McGuinness, 2006). The authors however, argue that overseeing and ensuring that wastage is minimized or eliminated and the unit is given value for money can often be a challenge.

Lipchak (2002) argues that good governance based on transparency, accountability and trust (and similar values) has become a shared goal among governments around the world. He goes on to say, however, that achieving this goal requires a common approach to the establishment of recordkeeping programs – programs that enable and support effective good governance. He stresses the fact that there is a need to explore the relationship between information management and good governance and to identify key issues, which governments in both developed and developing countries should consider in assessing and improving their recordkeeping (or records management), programs.

However, the ability to preserve records does not match the ability to create such records. Electronic records for example can be fragile, easily lost, destroyed, or altered, and run the risk of obsolescence as software and hardware age and are replaced (Aberdeen Group, 2001)

Alternatively, recognizing that good supply management requires long-term perspective (Tummala *et al.*, 2006), government procurement could take a more strategic perspective, reflecting on its uniqueness, improving its strategic contribution and meaningful involvement Johnson and Leenders(2003), through accelerating quality delivery and reduction of waste. In response to this, increasing number of governments all over the world are adopting modern information communication technologies (ICT) as a tool for providing effective and efficient services to their citizens.

However, in executing successful ICT in developing countries, public enterprises are faced with difficulties, such as resistance from the bureaucracies involved; lack of decision making from the top; lack of motivation; weak human capital; corruption and fraud; and, in the case of conflict-ridden countries, the instability and violence that damage any efficient long-term work (Dobler, 2002). Moreover, ICT systems are knotty, expensive, and difficult to manage and maintain. In summary, it is clear that procurement practitioners have always faced challenges imposed upon by a variety of environment factors including market, legal environment, political environment, organizational environment, socio-economic and other environmental factors.

## **2.6 Summary of Literature Review and Research Gap**

When it comes to the study of general procurement, there exist a number of studies in Kenya. However, there is limited research in the area of strategic procurement and in particular with respect to its influence on the performance of public enterprises. Chalton (2014) conducted a research on the challenges of implementing procurement policies in

state corporations in Kenya, Nyaboke, *etal.* (2013), conducted research on the effects of public procurement policies on organizational performance which focused on the water sector, while Obiero (2008), did a study on the challenges in the implementation of the Public Procurement & Disposal Act 2005 in the Ministry of Higher Education, Science and Technology in Kenya.

As opposed to the above studies, the current study sought to establish the influence of strategic procurement as the major factor on organizational performance in public enterprises with specific interest in Kenya Power Company Limited as a public enterprise that is crucial to the Kenyan economy.

In reference to Hassan (2012), a study carried out on the influence of strategic planning on the performance of humanitarian Enterprises, it was concluded that procurement planning has a direct influence on the performance of humanitarian organization in delivery of relief and emergency services. As opposed to Hassan (2012), who was concerned with procurement planning in non-governmental sector, this study will bring out the influence of strategic procurement practices on the performance of public enterprises in Kenya. Further, it will be prudent to expand the study and cover other sectors of the Kenyan economy. This research therefore seeks to bridge the research gaps by trying to relate strategies and the procurement performance of public Enterprises in Kenya.

Rwoti (2005) studied procurement performance measurement systems using the survey design on large manufacturing companies in Nairobi. What would appear to be lacking

from the literature is work on procurement's influence on the performance of public enterprises in Kenyan government.

On the other hand Nantage (2011) asserts that strategic procurement management has a direct influence on the financial performance of Companies in Uganda. While the findings leave no doubt, it is critical to replicate the study in a different setting and find out if the same recommendation holds among the public institutions in Kenya.

A study carried out by Wogube (2011), on Sironka Town Uganda on the link between procurement planning and financial performance indicates that proper procurement planning has a positive correlation with financial performance. As opposed to Wogube (2011), the current study treated procurement as a tool for planning and will encompass the effect it has on the overall performance of the organization including but not limited to financial and personnel performance.

Adu (2011), carried a study on the influence of procurement act on financial management in Ashanti region Ghana, revealed that adherence to the procurement act has reduced government expenditure drastically through reducing wastage and leakages of resources through effecting auditing, budgetary control, expenditure monitoring, cost effectiveness and value for money. However, the researcher did not attribute the findings to strategic procurement in Enterprises. From the current study, the researcher shall examine the overall effect of strategic procurement on organizational performance and asses the linkage it has to specific functional performances.

In related studies on tools of measuring procurement performance as a function in

Uganda, Kakwezi and Nyeko (2010) established that procurement performance could be measured using financial and non –financial measures. However, what would appear to be lacking from the literature is the work on procurement’s strategic role on organizational performance in public entities. The current study goes further by not only looking at the influence of procurement on the organization but also its contribution as a strategic function in an organization.

Kiagi (2013), in a study on factors affecting procurement performance in the ministry of energy, found out that planning, resource allocation staff competence and contract management positively affected procurement at the ministry of energy. While the current research concurs with this conclusion, however, it opens the bracket and includes such areas, as suppliers, sources and organizational structure. Further, the current research is looking at effect of strategic procurement on the overall performance of public enterprises. Moreover, this study is specific whereas the previous study is general on the ministry of energy. In conclusion, whereas most studies have been done on the factors responsible for procurement performance as a function, the current study is on the influence of procurement function on organizational performance in public Enterprises in Kenya. This study is therefore, designed to show whether specific strategic procurement practices are key determinants of performance in public organizations in Kenya.

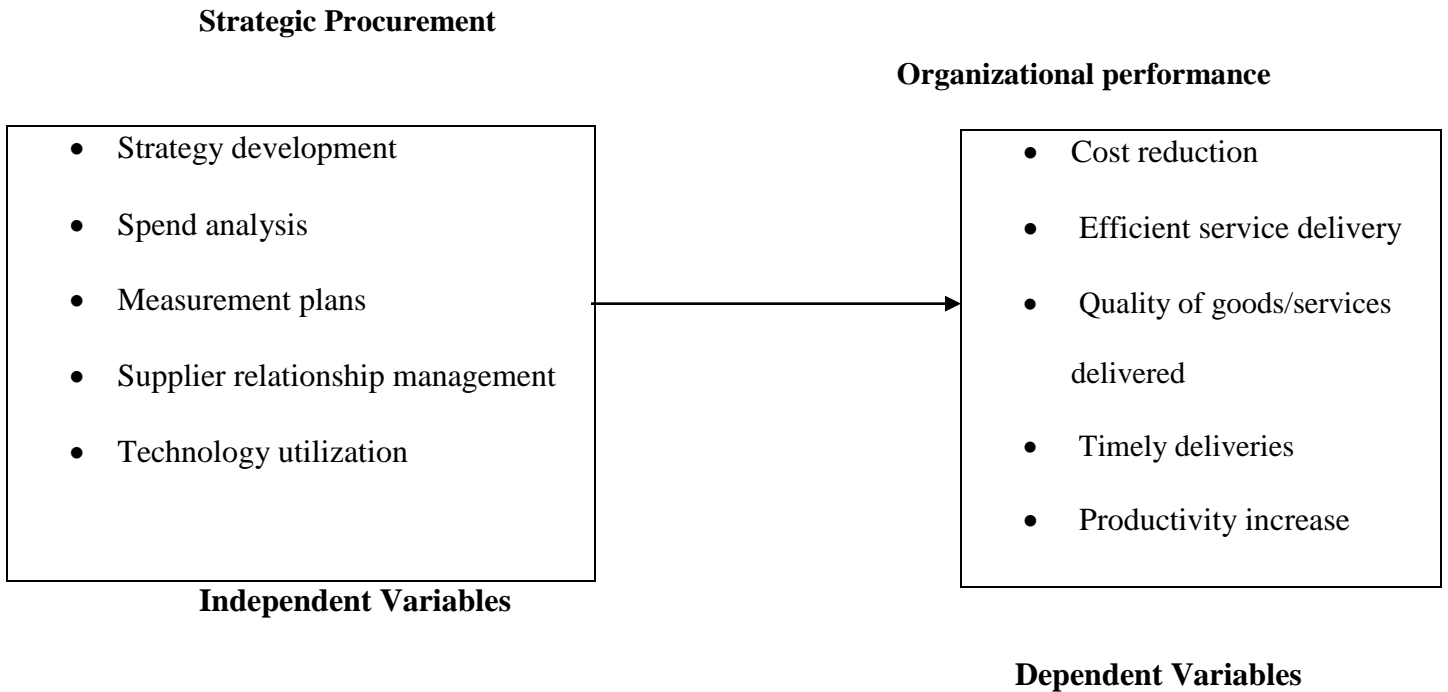
## **2.7 Conceptual Framework**

According to Raps and Kauffman (2005) conceptual framework is a set of broad ideas and principles taken from relevant areas of application and used to structure a subsequent

presentation. It is a research tool intended to assist a researcher to develop an understanding of the situation under study and present it.

Mugenda and Mugenda (2003), postulates that a conceptual framework refers to conceptualization of the relationship between variables in the study and it is shown diagrammatically. Apart from showing the direction of the study, through the conceptual framework, the researcher is able to demonstrate the relationships of the different constructs that a researcher wants to investigate. Previous studies have identified a number of factors that influence organizational performance. However, the five factors in strategic procurement including procurement strategy development, spend analysis, measurement plans, supplier relations management and technology utilization, as depicted below, were identified as having major influence on organizational performance in public enterprises.

**Figure 2.1: Conceptual Framework**



**Source: Researcher 2015**

The figure 2.1 above describes the relationship between the variables of study. Accordingly, strategic procurement factors serves as the independent variable while organizational performance is the dependent variable. For the purpose of this study, strategic procurement variables include; strategy development, spend analysis, measurement plans, supplier relations management and technology utilization.

These independent variables were studied in relation to organizational performance as the dependent variable with indicators such as; procurement productivity, procurement cost reduction, quality of deliveries and timely delivery of goods and services procured and finally the customer service index.

## **CHAPTER THREE: RESEARCH METHODOLOGY AND DESIGN**

### **3.1 Introduction**

This chapter presents the research design and methodology of the study. It consist research design, data collection method, data analysis and presentation.

### **3.2 Research Design**

Kerlinger (1969) contends that a research design is a strategy used by a researcher in collecting and analyzing data in order to answer the research questions or the research hypothesis. This study adopted a descriptive survey design. According to Orodho (2003), a descriptive survey is a method of collecting information by interviewing or administering a questionnaire to a sample of individuals. He further contends that the purpose of survey is to describe part of the population (sample) on the basis of which data will be collected.

Kothari (2001) postulates that descriptive survey design is preferred because it is economical in terms of time, it is possible and easy for the researcher to obtain current factual information from the employees in the organization and it is a cheaper method of studying the organization and coming up with accurate and deeper findings.

### **3.3 Research Location**

The research was carried out at Kenya Power Company Limited head office, Nairobi.

Kenya Power Company Limited head office is at Stima Plaza, Kolobot Road adjacent to Murang'a Road in Parklands Nairobi, Kenya

### 3.4 Target Population

Orodho (2005) has defined population as is a well-defined or set of people, services, elements, and events, group of things or households that are being investigated. It is thus the entire group of individuals, events or objects having common observable characteristics.

The population on focus in this study comprised the employees of Kenya Power Company Limited, head office, which has a population size of one hundred and ten employees (110). The employees are distributed in five (5) distinct departments. This target population was picked purposively, based on departments since they have the knowledge on the study area. The table below shows the stratification of each department.

**Table 3.1 Target Population Stratification.**

<b>Department</b>	<b>Target population</b>	<b>Percentage</b>
Human Resource	10	9.09%
Procurement	16	14.55%
Finance	12	10.91%
Customer care and marketing	30	27.27%
Technical department	42	38.18%
Total	110	100%

**Source: KPLC (2016)**

### **3.5. Sample Size and Sampling Technique**

Sampling refers to the process of selecting a number of individuals for a study in such a way that the individuals selected represents the large group from which they are selected (Mugenda & Mugenda, 2003). To constitute a structured sample, the researcher used stratified method since population to be sampled was heterogeneous. The researcher also used stratified sampling in order to provide greater precision geared to bring forth proportionate stratification whereby each stratum had the same sampling fraction Kothari (2004).

The population was stratified into a number of strata and sample item were selected from each stratum. Stratification aims to reduce standard error by providing some control over variance. The researcher used a sample of fifty -five (55) employees which constituted 50% of the whole population under the study which is one hundred and ten (110) employees. The researcher selected (50%) of the target population to act as the sample size, since it has been argued that a sample size of at least 10% of the target population is adequate for a descriptive survey study (Patton, 2002).

**Table 3.2 Sample Design**

<b>Department</b>	<b>Population Frequency</b>	<b>Sample Ratio</b>	<b>Sample</b>
Human Resource	10	0.5	5
Procurement	16	0.5	8
Finance	12	0.5	6
Customer service and marketing	42	0.5	21
Technical department	30	0.5	15
Total	110	0.5	55

**Source: KPCL (2016)**

### **3.6. Research Instruments**

Mbweza (2006) defines research instruments as the techniques or tools which are used for data collection. A questionnaire was used in this research. Cohen *et al* (2004) opines that a questionnaire is a collection of items to which a respondent is expected to react, usually in a written form. A questionnaire was used because it is very economical in terms of time, energy and finance. Similarly, it yields quantitative data which is very easy to collect (Kothari 2008).

### **3.7 Instrument's Validity and Reliability**

Validity is the degree to which a test measures what it targets to measure. Cook and Campbell (1979), postulate that validity is the best available approximation to the truth

and falsity of a given inference, proposition or conclusion. In this study, the researcher adopted two kinds of validity: content validity and face validity. In the first instance, for research instrument to be considered valid the content selected and included in the questionnaire must be relevant to the variables being investigated. Moreover, face validity which is commonly used in research of this kind was applied to determine if the tool measured what it was supposed to measure. To establish the validity of the research instrument, the researcher sought opinions of experts especially the supervisors to give their opinions as to whether or not the instrument met this criterion. This concurs with Carmine and Zeller (1979), who have argued that validity can be assessed using expert opinion and informed judgment.

On the other hand, reliability, according to Mugenda and Mugenda (2003), is a measure of the degree to which a research instrument yields consistent results on the data after repeated trials. In order to establish the reliability of the instruments the researcher used Cronbach's Alpha formula which measures the internal consistency. The value of the alpha coefficient ranges from 0-1 and may be used to describe the reliability of factors extracted from dichotomous and or multi-point formatted questionnaires or scales. A higher value shows a more reliable generated scale. Cooper and Schindler (2008) have indicated 0.7 to be an acceptable reliability coefficient. The Alpha test was run using SPSS software which gave 0.856, implying that the instrument was consisted and reliable

### **3.8 Data collection Procedures**

Data was collected using structured questionnaires. Structured questionnaires usually consist of a prepared list of concrete questions and a choice of possible answers (Orodho,

2012). The questionnaires were self-administered whereby the participants filled themselves. First permission was sought from the: National Commission for Science, Technology and Innovation, the County Commissioner and County Director for Education in Nairobi County, the Kenya Power company Limited head office Nairobi, and Kenyatta University.

After permission was granted, the researcher contacted Kenya Power Company Limited Nairobi, and the intention to drop questionnaires was explained to the human resources manager. The questionnaires were then delivered to the respondents and they were given two weeks to fill. The researcher collected the filled questionnaire after two weeks

### **3.9 Data Analysis**

The analysis of data requires a number of closely related operations such as the establishment of categories, the application of these categories or raw data through coding, and tabulation (Orodho, 2012). The data was analyzed by applying descriptive statistics which included frequencies, percentages and graphs through thematic discussions of issues and themes for the study. Graphs were generated by use of statistical package for social sciences (SPSS) which gave figures which were interpreted.

### **3.10 Data Presentation**

The results were presented on average percentages, frequency table distributions and graphs.

### **3.11 Ethical Considerations**

Before data collection, the researcher sought for introductory letters from Kenyatta University and also National Commission for Science, Technology and Innovation. After this, permission was sought from the management of Kenya Power Company for the administration of questionnaires and data collection.

## **CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION**

### **4.1 Introduction**

This chapter presents the results and findings from the questionnaire survey. The findings of the study are presented according to the research questions. There were 55 questionnaires distributed to the selected employees of KPCL, Nairobi.

#### **4.1.1 Response Rate**

Out of the 55 questionnaires sent, 45 were dully filled and returned which translated to 82%, response rate while 10 questionnaires were not filled representing 18% of the respondents. Despite the assurance given that the information to be given was to be treated confidentially, some participants did not fill the questionnaire perhaps because of personal reasons. According to Mugenda and Mugenda (2003), a response rate of over 65% is considered adequate. High response rates reduce the risk of bias in the responses. Thus, in this study, the 82% response rate was adequate for analysis

### **4.2 General Information**

As part of the general information, the researcher requested the respondents to indicate their gender, age, level of education and duration of working. The analysis of these characteristics from the respondents is important since it assists in getting accurate information on the organization where they work.

#### **4.2.1 Gender Distribution**

Majority of the respondents, 53.3% indicated that they were male while, 46.7% said that they were female as tabulated in table 4.1

**Table 4.1: Gender Composition**

<b>Gender</b>	<b>Frequency</b>	<b>Percent%</b>
Male	24	53.3
Female	21	46.7
<b>Total</b>	<b>45</b>	<b>100</b>

**Source: Research Data (2016)**

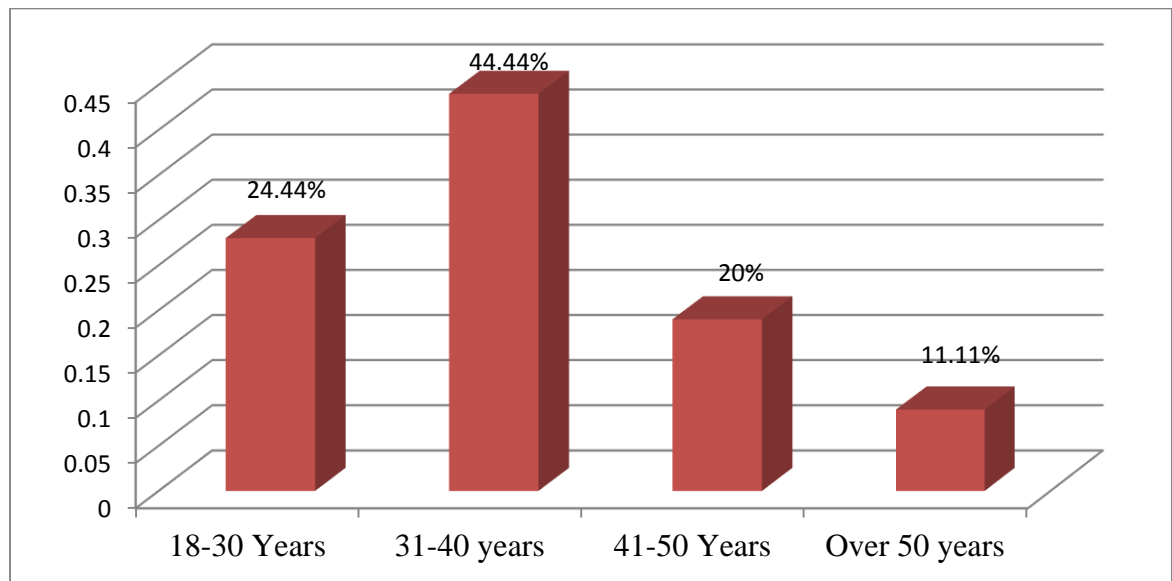
This implies that despite the gender equality initiatives by the Government, male employees still dominate the company though the gender gap has been narrowed.

#### **4.2.2 Age Distribution**

On age distribution, the majority of the respondents (44.44%) were in the age bracket of 31-40 years. Another 24.44% of the respondents were between 18 - 30 years of age, while 20% were aged between 41 and 50. A minority (11.11%) were aged above 50 years. Okumbe (2001), in his study of Career Management in organizations, associated age with employee competency in their jobs; where he indicated that there is a positive correlation between age and employee performance. He argued that the older an employee was, the higher the performance and experience up to a certain age (age of 60) where performance would start declining.

The finding therefore implies that the respondents were old and experienced enough to provide valuable responses that pertain to factors influencing strategic procurement on the performance of KPCL, Nairobi. The findings of the study are illustrated in figure 4.1

**Figure 4.1 Age Distribution of Respondents**



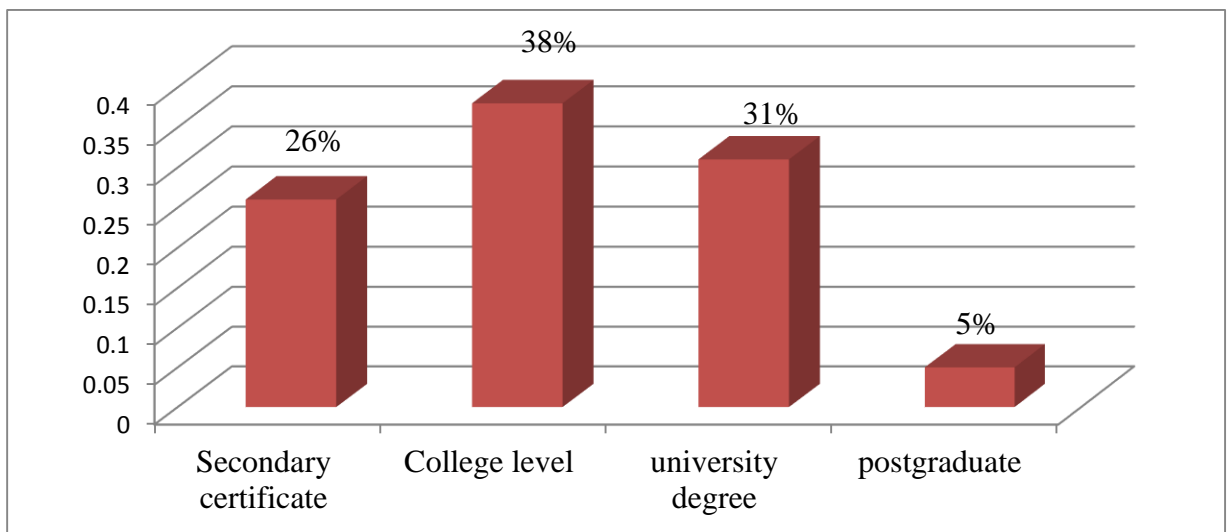
Source: Research Data (2016)

### **4.2.3 Level of Education**

The study also sought to find out the level of education for the respondents in order to ascertain their academic and professional qualifications. The findings showed that majority (38%) were College level graduates while 31% indicated that they had attained university degree in their respective areas of specialization. The study further indicated that 26% of the respondents were Secondary certificate holders while minority (5%) had attained postgraduate qualifications, which included masters and postgraduate diplomas. This implies that majority of the respondents are professional enough to give correct information since they understood the impact of strategic procurement on the performance of KPCL. The findings concurs with Basheka (2010) and World Bank

(2000) who argued that, if education level relates to professionalism then one can assume that the information provided is valid and reliable. The information is given in the figure 4.2 below

**Figure 4.2: Respondents Level of Education**



**Source: Research Data (2016)**

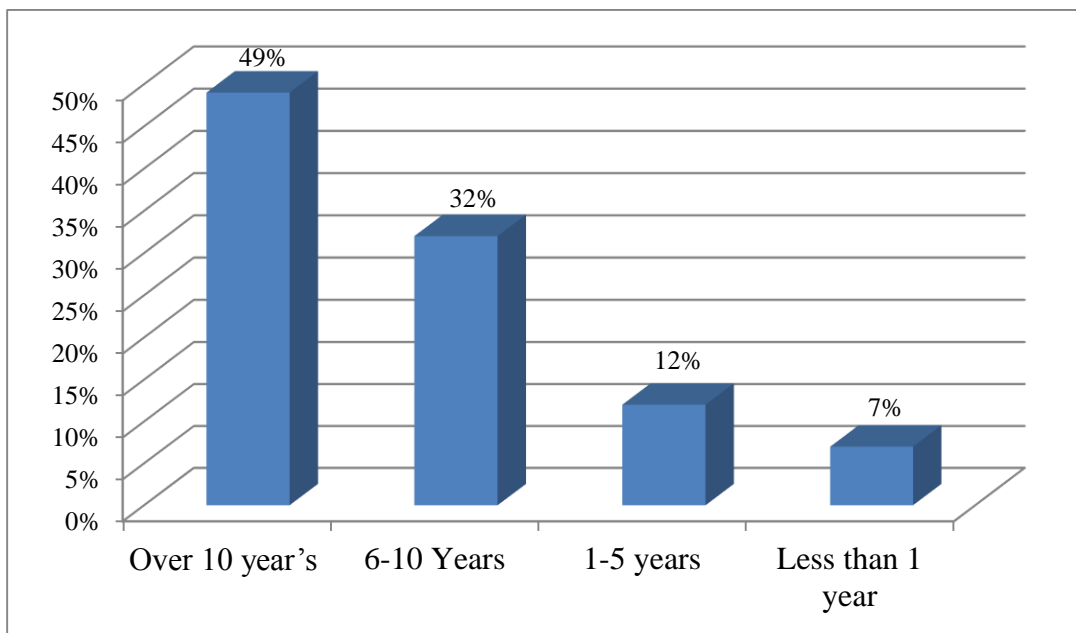
#### **4.2.4 Work Experience in Kenya Power Company**

The study sought to find out the years of service of the respondents to find out the relationship between work experience and performance. From the findings, majority (49%) of the respondents had over 10 years of experience while 32% had between 6-10 years. Another 12% of the respondents had an experience of 1-5 years while 7% had an experience of less than 1 year.

This showed that the majority of respondents had worked at KPCL for a period of over 10 years and had enough understanding of the company's working and were experienced

and well exposed to give accurate information. This is in agreement with Maria (2011) who in her study on the relationship between performance and human capital found that procurement performance depends highly on the skills and experience of the human resource handling procurement activities. She indicated that the skills can be acquired through academic or experience. Figure 4.3 shows an illustration of these results.

**Figure 4.3: Respondents Work Experience**



**Source: Research Data (2016)**

### **4.3 Adoption of strategic procurement**

The study sought to establish whether the company had adopted strategic procurement.

The findings are presented in the table below, 4.3 below

**Table 4.2 Adoption of Strategic Procurement at Kenya Power Company Limited**

	<b>Frequency</b>	<b>Percentage (%)</b>
Yes	30	66.67
No	15	33.33
<b>Total</b>	<b>45</b>	<b>100</b>

**Source: Research Data (2016)**

Majority of the respondents (66.67%) indicated that the company had adopted strategic procurement while 33.33% of the respondents said that company had not adopted strategic procurement. This indicates that majority of the respondents are in agreement that strategic procurement has been adopted in implementing procurement decisions in Kenya Power Company Limited. This is agrees with Magnus (2006), who argued that strategic procurement is one of the critical functions of an organization with the potential to; save cost, improve operational efficiency, access to trusted suppliers, and improve in quality of product or service, and sharing of best practices among others.

#### **4.4 Extent of Strategic Procurement Adoption**

The study sought to establish the extent to which strategic procurement had been adopted at Kenya Power Company. The participants were guided in giving their answers by the use of various statements that depicted different strategic procurement activities. The findings are presented in table 4.3 below.

**Table 4.3: Extent of Strategic Procurement Adoption**

Statement	Very Great Extent		Great Extent		Not Sure		Small Extent		Very Small Extent	
	F	%	F	%	F	%	F	%	F	%
The Company has developed procurement strategies	29	64.44	16	35.56		–		–	–	
The firm conducts spend analysis	26	57.78	11	24.44	7	15.56	1	2.22	–	–
The organization has supplier relations management in place	30	66.66	9	20	3	6.66	3	6.67		
The company conducts procurement measurement regularly	9	20	12	26.66	23	51.11	–	–	–	–
The firm has adopted the use of ICT in her procurement transactions	35	77.78	10	22.22	–	–	–	–	–	–

**Source: Research Data (2016)**

From the findings, majority of the respondents indicated that development of strategies, spend analysis and supplier relationship management have been adopted to a very great extent as indicated by 64.44%, 57.78%, 66.66% of the respondents. The study also found that utilization of technology was adopted by the firm to a great extent as indicated by 77.78% of the respondents. However, when asked whether the firm conducts measurement in their procurement functions, there was a sharp difference in opinion

where the majority (51.11%) of the participants was not sure whether the activity took place. This can be attributed to failure of communication within the management. Nevertheless, there was general consensus that, despite some challenges, strategic procurement is instrumental in an organization's performance. This is in line with Arawati, (2011) who contends that strategic procurement for supplies management are identified across many high performing organizations.

#### **4.5: Strategic procurement and Organizational Performance**

For a strategy to be important and sustainable, it has to give the implementing organization an edge in terms of productivity, competitiveness or performance(Kiplagat 2012). Respondents were required to rate their level of agreement on the effect of strategic procurement on Kenya Power Company's performance. The respondents were guided to respond through various statements which depict various strategic procurement practices as shown below in table 4.5

**Table: 4.4 Strategic Procurement and quality of goods and services**

Response	Frequency	Percent%
Strongly agree	28	62%
Agree	17	38%
Total	45	100

**Research Data (2016)**

Table 4.5 above indicates that 62% of the respondents agreed and another 38% strongly agreed that strategic procurement leads to quality goods and services which are offered by suppliers. Since strategic procurement is one of the primary functions of procurement process, it implies that there is need for adoption of strategic procurement in public enterprises in order to acquire quality goods and services Basheka (2004).

**Table 4.5: Strategic Procurement and Efficient Delivery of Services**

Response	Frequency	Percent
Strongly agree	22	48.8
Agree	20	46.66
Not sure	3	4.44.
Total	45	100

**Research Data (2016)**

Table 4.6 shows that the highest percentage 48.88% and 46.66% of the respondents strongly agreed and agreed respectively that strategic procurement facilitates efficient service delivery by an organization to the public. Only 3% were not sure about this assessment. This implies that with a good strategic procurement plan, Kenya Power Company Limited can efficiently and effectively enjoy improved delivery of services to its citizens and hence improve her organizational performance. This is in agreement with Wogube (2011), in his study on procurement planning and Performance in public Enterprise in Uganda. The small number of respondents represented by 4.44 % can be

attributed probably to ineffective communication of the company's policies to all its employees.

#### **4.6 Employee Competency (training) and Organizational performance**

<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Strongly agree</b>	<b>24</b>	<b>53.3</b>
<b>Agree</b>	<b>13</b>	<b>28.9</b>
<b>Not sure</b>	<b>2</b>	<b>4.4</b>
<b>Disagree</b>	<b>6</b>	<b>13.3</b>
<b>Total</b>	<b>45</b>	<b>100</b>

Rogers, (2005) has defined employee competence as the ability to perform tasks and duties to the expected standard in employment. The author further explains that, staff competency comes from employee training, which is part of a wider procurement strategy and is an essential ingredient for a positive and continuous growth of every organization. He says that training include; staff development, management courses, and Skills on procurement performance.

The study sought to determine the extent to which employee competency influence organizational performance at Kenya Power Company Limited. Majority (53.3%) of the participants felt that employee competency influenced organizational performance. Another 28.9% agreed that their competence influenced their performance. However, 4.4% of the respondents were not sure, while 13.3%, strongly disagreed with the

statement. This can be attributed to some older employees who see training as a change agent and have to resist training because of wanting to retain the status quo.

Nevertheless, cumulatively; majority of the participants support the statement that staff development, management courses, training in skills on procurement affect organizational performance. These finding are in line with guidelines by World Bank (2000) on procurement which indicated that there was a strong relationship between staff training and efficient service delivery in the public sector where it was observed that the persons with higher competency and professional training provided efficient services as compared to their counter parts with low levels of training. Therefore, it can be concluded that employee competency which is as a result of training is a key ingredient of organizational performance.

**Table 4.7: Strategic Procurement and Maximum Value for Money in Expenditures.**

Response	Frequency	Percent
Strongly agree	23	51.11
Agree	18	40
Not sure	4	8.89
Total	45	100

**Research Data (2016)**

From table 4.7 above, 51.11% and 40% of the respondents strongly agreed and agreed respectively that strategic Procurement helps to achieve the maximum value for expenditures on services to be delivered. Only 4 respondents (8.89%) were not sure

whether procurement planning helps to achieve the maximum value for expenditures on services to be delivered. Basing on the highest percentage of respondents, it implies that a strategic procurement enables the entities to achieve maximum value for their expenditures. This is exactly what Bauld and Guinness(2006) found out in “Value for money ,summit buyers”. They argued that strategic procurement eliminates or minimizes wastage and gives the procurement unit maximum value for money.

**Table 4.8: Integration of ICT in Strategic Procurement and organizational performance**

Response	Frequency	Percent (%)
Strongly agree	27	60.0
Agree	10	22.22
Not sure	7	15.56
Disagree	1	2.22
Total	45	100

**Research Data (2016)**

Majority of the respondents (60%), strongly agreed that the integration of ICT in strategic procurement influences organizational performance at KPCL. Another 22.22%, of the respondents agreed that the integration of ICT in procurement practices and functions influence organizational performance. However there were a sizable number of respondents represented by 7% who were not sure of what influence integration of ICT in procurement functions had on organizational performance. A negligible percent of 1% of

respondents disagreed with the view that ICT integration in procurement functions indeed had an influence on organizational performance at Kenya Power Company Limited.

This therefore implies that the integration of ICT in strategic procurement has a positive effect on the performance of Kenya Power Company Limited. This concurs with Kilonzo (2014), who in her study of procurement best practices and organizational performance among the commercial banks in Kenya found out that those organizations which do not integrate ICT in their procurement function do not benefit from the indicators of organizational performance: advantages of reduced cost, of holding stock, reduced paper work, increased transaction effectiveness, increased quality of goods and services, reduced lead times and improved quality of decision making.

**Table 4. 9 : Correlation between Strategic Procurement and Organizational Performance**

Response	Frequency	Percent (%)
Strongly agree	24	53.33
Agree	16	35.56
Not sure	5	11.11.
Total	45	100

**Research Data (2016)**

As per the response above, it is indeed a confirmation that strategic procurement practices have a correlation with organizational performance. This was demonstrated by majority (53.33%) of the respondents who strongly agreed that there is a relationship between

strategic procurement and organizational performance. Another 38% of the respondent was in agreement with the statement, while 5% respondents representing 11.11%, of the respondents were not sure whether strategic procurement had any relationship with organization performance in Kenya power Company. Hence, the study concludes that there was a relationship between strategic procurement and organizational performance.

This is in concurrence with Johan, (2006) who came up with slogans like; “he who fails to plan for service delivery, plans to fail delivering services to the public.” Indeed service delivery is one of the measurements of organizational performance while procurement planning is part of strategic procurement.

#### **4.6 Challenges in Implementing Strategic Procurement**

An organization is usually faced with certain impediments in its endeavor towards strategy development and implementation. The shortcomings may be peculiar to the organization or may be general to all the industry and the environment the organization is operating in.

The study sought to establish the challenges faced by KPCL in implementing strategic procurement in its activities. Respondents were required to confirm or disagree to indicate challenges, and analysis was through percentages. Results are presented in table below 4.10

Table 4.10 Challenges Facing Strategic procurement implementation

STATEMENT	YES		NO	
	F	%	F	%
Internal and external forces	42	93.30	3	6.70
Our strategic planning is usually affected by insufficient finance to implement the plans formulated	13	28.88	32	71.11
Lack of management commitment to strategic plans	28	62.22	17	37.77
Corruption and political interference hinders procurement activities	40	88.88	5	11.11
Misalignment of the strategic plans with the company culture	35	77.77	10	22.22
Lack of cooperation and teamwork during implementation which hinders success of organizational plans	8	17.80	37	82.22
Non-alignment of the strategic plans to management	36	80	9	20
Volatility of information and communication technology	33	73.33	12	26.67
Employees not having the requisite skills in strategic planning	30	67	15	33.33

Analysis of the results in table 4.10 above indicates that the major challenges that have been faced by KPCL in its strategic procurement process include internal and external

forces (93.3%) and Volatility of information and communication technology (73.33%), These results agree with the findings of Kakwezi and Sony (2010), who in their study of the factors affecting procurement performance; notes that, the ability of any organization to realize procurement goals is influenced by both internal and external forces.

The same sentiments are echoed by Cox *et al* (2006), whose study established that the environment in which companies and their procurement department trade in has changed dramatically in recent years. They further observed that globalization has opened new markets both for sales and for purchasing companies and they now have access to suppliers outside their traditional domestic markets and their growing global enterprises require suppliers that have global coverage. The author counsels that information and communication technologies are also helping to increase the leverage of procurement organizations by allowing companies to track purchases across their entire enterprise and consolidate purchases.

Other setbacks include corruption and political interference (88.88%), lack of management commitment to strategic plans (60%) and employees not having the requisite skills in strategic planning (67 %) This result negates what Wu *et al.* (2004) found to be the major pillar of an effective procurement strategy together with its implementation and review.

Other challenges which impeded strategic procurement as mentioned included, misalignment of the strategic plans with the company culture (77.77%) non-alignment of

the strategic plans to management (80 %), and lack of management commitment to strategic plans (62.22% ) This finding concurs with Murray (2009) who found out in a study involving procurement in government agencies that, it is not for public procurement managers but political leaders who make the choice regarding the government's specific objectives, though it is public procurement managers' professional duty to develop and present options.

However, the analysis found out that lack of finance and non-cooperation of team members in implementing strategic procurement did not negatively affect procurement operations in KPCL .This was indicated by the majority (71.11%) of the participants who did not agree with the assertion that finance is an impending factor in strategic procurement, while the majority (82.22% ) felt that lack of cooperation among team members during the implementation of strategic procurement did not affect their procurement activities. These findings are consistent with those of Palmer and Butt, (1985) who in their findings indicated some of the barriers which need to be overcome in order to achieve value for money and reduce waste are: weak governing bodies, politics, tradition, and lack of education and training programmes.

## **CHAPTER FIVE: SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter presents a summary of the key findings of the study, interpretations, and conclusions, recommendations on the gaps identified in the study and recommendations for further research on this area.

#### **5.2.1 Adoption of Strategic Procurement**

The study established that the company had adopted strategic procurement in its procurement decisions. This is illustrated by 66.67% of the respondents who were in agreement that indeed the company had adopted strategic procurement in its purchasing activities. However, 33.33% of the respondents were of the contrary opinion, casting doubts whether all the employees are involved fully in the procurement decision making process.

#### **5.2.2 Extent of Strategic Procurement Adoption**

Further, the study sought to find out the extent to which strategic procurement had been adopted by the company in its procurement decisions. It was established that the company had adopted use development of strategies, spend analysis, and supplier relations management had to a very great extent as indicated by 64.44%, 57.78%, and 66.66% of the respondents respectively. The study also found that utilization of

technology was adopted by the firm to a great extent as indicated by 77.78% of the respondents. This implies that strategic procurement is instrumental in an organizations' performance. This is in line with Arawati, (2011) who contends that strategic procurement for supplies management are identified across many high performing organizations.

### **5.2.3 Strategic Procurement and Organizational Performance**

The study established that majority of the respondents indicated that company strategy leads to quality goods and services being offered by suppliers to the organization. This was supported by majority of respondents at 62% who strongly agreed and 38% of the respondents who agreed with the statement.

Further, the study established that majority of the respondents indicated that strategic procurement facilitates organizational performance at Kenya Power Company. This is illustrated by 48% of the respondents who strongly agreed and 46.66% of the respondents who agreed respectively. However, there were a small number of the respondents who were represented by 3% who were not sure whether strategic procurement facilitates organizational performance.

On whether strategic procurement achieves maximum value for money in expenditure for goods and services for the company, it was established that majority of the respondents strongly agreed represented by 51.11%, and 40% of the respondents agreed with the assertion that strategic procurement achieves maximum value for money for the

expenditures of the company. Minority of the respondents represented by 8.89% were not sure with that assertion.

Moreover, the influence of ICT on organizational performance at Kenya Power Company was investigated as part of strategic procurement. It was established that 60% of the respondents strongly agreed while 22.22% of the respondents agreed respectively that indeed the integration of ICT in strategic procurement has apposite influence on organizational performance. However, 15.56 % of the respondents were not sure of the effect of the integration of ICT in strategic procurement on organizational performance.

This implies that the majority of the respondents confirmed that the integration of ICT in strategic procurement influences organizational performance at Kenya Power Company. This findings with that of Lancioni(2000), whose findings revealed that Information communication Technology in procurement, enhanced procurement service delivery and improved procurement efficiency attaining overall organizational performance.

The study also found that there exists a significant relationship between strategic procurement and organizational performance. This was indicated by 53.33% of the respondents who strongly agreed that there is a relationship between strategic procurement and organizational performances, followed by 38% who were in agreement with the statement. However, 5% respondents representing 11.11% were not sure whether strategic procurement had any relationship with organization performance in Kenya power Company. Hence, the study concludes that there is a relationship between strategic procurement and organizational performance

#### **5.1.4 Challenges in Implementing Strategic Procurement**

The study had also sought to establish the challenges faced by Kenya Power Company on its implementation of strategic procurement in its acquisition of products and services. Analysis of results indicate that the major challenges that have been faced by Kenya Power Company in its strategic procurement process include volatility of the technological environment (73.33%), employees not having the requisite skills in strategic planning (67%) lack of management commitment to strategic plans (62%); but the most formidable one is external and internal forces represented by (93.30%) and corruption at (88.88%) of the participants' responses. Other challenges include: misalignment of the strategic plans with the company culture (77%), and non-alignment of the strategic plans to the leadership as indicated by (80%) of the respondents. However, lack of cooperation and teamwork during implementation and lack of finance were strongly refuted by the respondents as indicated by a whopping (82.22%) and (71.11%) of the respondents

#### **5.3 Conclusions**

From the study findings, the following conclusions are made:

First, KPCL had adopted strategic procurement in her procurement activities and this has brought with it positive impacts such as reduced costs, competition among suppliers thus making them provide the best product or service to the organization,

Strategic procurement at KPCL has also promoted improvements in quality outcomes through provider innovation and configuration and has stimulated coordination of the sourcing and other departments of the organization. However, strategic procurement at KPCL on the other hand has been linked to corruption in the procurement process thus lowering efficiency.

On challenges facing procurement at KPCL, the study concludes that the organization is faced with serious challenges which have hampered the influence of strategic procurement in the performance of the organization. Unprecedented changes and volatility in the technological environment, lack of requisite skills in employees to undertake strategic procurement, lack of management commitment to strategic plans and inadequate adherence to formulated strategies are some of the serious challenges which have impeded the implementation of strategic procurement at KPCL

However, cooperation and teamwork during implementation, and lack of finance in implementing strategic procurement plans with the company were not found to be an impediment to strategic procurement implementation.

#### **5.4 Recommendations**

From the study findings, the study recommends the following;

- i. Procurement should always be considered as a strategic player in the value chain as it usually represents one of the largest expense items in a firm's cost structure especially government agencies.
- ii. The study also recommends that organizations should ensure they have competent employees in procurement and strategic management to chart a way

forward for the procurement function. The organization should analyze how effective its staff development plan is at increasing the professional competence and standing of the supplies management function.

- iii. Further, urgent measures are still needed to cope with the corruption in developing nations. When procurement becomes costly, it may be a sign of corruption in the system. Some of the key impacts of corruption on procurement include a financial impact and an economic impact

### **5.5 Recommendation for Further Research**

This study particularly focused on Kenya Power Company Limited and therefore further research should be carried out on other government enterprises.

This research was intended to assess the influence of strategic procurement on the performance of public enterprise in Kenya. Private enterprises were by design left out since they present another area of study with different variables. Hence, future research should focus on the private sector as well as the inclusion of other aspects of strategic procurement that could affect organizational performance.

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## APPENDICES

### APPENDIX: 1 LETTER TO THE RESPONDENT

**Kenyatta University**

**P.O Box 43844-00100**

**NAIROBI**

**Kenya Power Company**

**Nairobi – KENYA,**

**August, 2015.**

**Dear Respondent,**

**RE: RESEARCH PROJECT**

I am a postgraduate student at Kenyatta University. As part of the requirements of the Master of Public Policy and Administration, I am required to carry out an independent research Project.

The research project is titled ‘**Influence of Strategic Procurement on the Performance of Public Enterprises in Kenya, a case of Kenya Power Company limited, Nairobi.**

To enable me to successfully carry out the study, a questionnaire is provided which will be the major basis of findings of the research.

You are kindly requested to respond to the questions as directed and as honestly as possible. I understand that you have a busy schedule and your participation in this evaluation is greatly appreciated and information given will be treated in strictest confidence.

Sincerely,

Nicodemus Nyabuto Okong’o

## APPENDIX II



### KENYATTA UNIVERSITY GRADUATE SCHOOL

E-mail: [dean-graduate@ku.ac.ke](mailto:dean-graduate@ku.ac.ke)

Website: [www.ku.ac.ke](http://www.ku.ac.ke)

P.O. Box 43844, 00100

NAIROBI, KENYA

Tel. 8710901 Ext. 4150

Our Ref: C153/CTY/PT/23609/2011

DATE: 23<sup>rd</sup> November, 2015

Director General,  
National Commission for Science, Technology  
and Innovation  
P.O. Box 30623-00100  
**NAIROBI**

Dear Sir/Madam,


**RE: RESEARCH AUTHORIZATION - OKONGO NICODEMUS NYABUTO - REG.  
NO.C153/CTY/PT/23609/2011**

I write to introduce **Mr. Okongo Nicodemus Nyabuto** who is a Postgraduate Student of this University. He is registered for M.A degree programme in the **Department of Public Policy and Administration**.

Mr. Nyabuto intends to conduct research for a M.A Project Proposal entitled, **"Influence of Strategic Procurement on the Performance of Public Enterprises in Kenya: A Case of Kenya Power Company Limited, Nairobi."**

Any assistance given will be highly appreciated.

Yours faithfully,

  
**MRS. LUCY N. MBAABU**  
**FOR: DEAN, GRADUATE SCHOOL**

AM/rwm

## APPENDIX III



### NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Telephone: +254-20-2213471,  
2241349, 310571, 2219420  
Fax: +254-20-318245, 318249  
Email: secretary@nacosti.go.ke  
Website: www.nacosti.go.ke  
When replying please quote

9<sup>th</sup> Floor, Utalii House  
Uhuru Highway  
P.O. Box 30623-00100  
NAIROBI-KENYA

Ref. No. **NACOSTI/P/16/23784/9466**

Date:

**23<sup>rd</sup> February, 2016**

Nicodemus Nyabuto Okongo  
Kenyatta University  
P.O. Box 43844-01000  
**NAIROBI.**

#### **RE: RESEARCH AUTHORIZATION**

Following your application for authority to carry out research on *“Influence of strategic procurement on the performance of public enterprises in Kenya: A case of Kenya Power Company Limited, Nairobi”* I am pleased to inform you that you have been authorized to undertake research in **Nairobi County** for a period ending **23<sup>rd</sup> February, 2017**.

You are advised to report to the **Managing Director, Kenya Power and Lighting Company Ltd, the County Commissioner and the County Director of Education, Nairobi County** before embarking on the research project.

On completion of the research, you are expected to submit **two hard copies and one soft copy in pdf** of the research report/thesis to our office.

  
**DR. S. K. LANGAT, OGW**  
**FOR: DIRECTOR-GENERAL/CEO**

Copy to:

The Managing Director  
Kenya Power and Lighting Company Ltd.

The County Commissioner  
Nairobi County.

## APPENDIX IV: QUESTIONNAIRE

### Instructions

Please tick (✓) the box that matches your answer to the questions and give the answers in the spaces provided as appropriate.

### Section A: Background Information

- 1) Gender: Male  female
- 2) Age: 18-30  31- 40  41-50  over 50
- 3) Highest level of education attained
  - i Certificate
  - ii Diploma Level
  - iii Degree
  - iv Postgraduate
- 4) Years of experience in the in your department
  - i. Less than 1 year
  - ii. 1-5 years
  - iii. 6- 10 years
  - iv. Over 10 years

**PART B: ADOPTION OF STRATEGIC PROCUREMENT**

5. Has Kenya Power Company Limited adopted strategic procurement in her procurement activities?

6. If you agree with question (5) above, kindly indicate the extent to which you agree with the following statements concerning the adoption of strategic procurement

<b>Strategic procurement practices</b>	<b>Very Great Extent</b>	<b>Great Extent</b>	<b>Not Sure</b>	<b>Small Extent</b>	<b>Very Small Extent</b>
The Company has developed procurement strategies					
The firm conducts spend analysis					
The organization has supplier relations management in place					
The company conducts procurement measurement regularly					
The firm has adopted the use of ICT in her procurement transactions					

**PART: CINFLUENCE OF STRATEGIC PROCUREMENT AND ORGANIZATIONAL PERFORMANCE IN KENYA POWER COMPANY**

7. To what extent to you agree with the following statements about the effect of strategic procurement on organizational performance at Kenya Power Company? Use the following rating.

Strongly Agree (SA), Agree (A), Not Sure (NS), Disagree (D) and Strongly Disagree (D)

<b>Statement</b>	<b>SA</b>	<b>A</b>	<b>NS</b>	<b>D</b>	<b>SDA</b>
Strategic procurement maximizes value for money for expenditure in goods and services by the organization					
Strategic procurement lowers costs associated with purchasing					
Strategic procurement facilitates efficient and effective service delivery in public enterprises					
There is a relationship between strategic procurement and organizational performance in the organization					
Employees training as a procurement strategy leads to organizational performance					

PART: D CHALLENGES FACING IMPLEMENTATION OF STRATEGIC  
PROCUREMENT AT KENYA POWER COMPANY

8. Kindly indicate your agreement or disagreement with the following statements concerning the challenges facing your organization in implementing strategic procurement

STATEMENT	YES		NO	
	F	%	F	%
Internal and external forces				
Our strategic planning is usually affected by insufficient finance to implement the plans formulated				
Lack of management commitment to strategic plans				
Corruption and Political interference hinders strategic procurement plans				
Misalignment of the strategic plans with the company culture				
Lack of cooperation and teamwork during implementation which hinders success of organizational plans				
Non-alignment of strategic plans to the leadership				
Volatility of information and communication technology				
Employees not having the requisite skills in strategic planning				

THANK YOU FOR YOUR TIME

**APPENDIX: V BUDGET FOR THE STUDY**

<b>ACTIVITY</b>	<b>SOURCE OF REVENUE (KSHS)</b>	<b>APPROXIMATE AMOUNT (KSH)</b>
Writing Materials	Personal source of income	15000
Travelling Cost	„	10,000
Printing	„	15000
Photocopy And Binding	„	15,000
miscellaneous	„	5000
<b>TOTAL</b>		<b>60,000</b>

**APPENDIX: VI WORK PLAN SCHEDULE**

Activity	July 2015- November 2015	Feb.2016	March 2016	April 2016-May- 2016
Proposal writing and presentation				
Fieldwork-data collection				
Project writing and analysis				
Report writing and submission				