

**SUPPLIER DEVELOPMENT STRATEGIES AND  
PROCUREMENT PERFORMANCE OF COUNTY  
GOVERNMENTS IN KENYA**

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A MASTERS DEGREE IN BUSINESS ADMINISTRATION IN  
PROCUREMENT AND SUPPLY CHAIN**

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## DECLARATION

This research project is my original work and has not been presented by other study programme in any other University

Signature\_\_\_\_\_

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**Date**

**D61/72907/2012**

This research project has been submitted for assessment with my approval as the University supervisor.

Signature\_\_\_\_\_

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## **DEDICATION**

This work is devoted to my family; my parents Mr. and Mrs Stanley G. Wamutira, my husband Mr. Robert Kipkemboi and my daughter Sylvia Jepkorir who have continuously supported and encouraged me to work hard.

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God bless all of you.

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## **ABBREVIATIONS AND ACRONYMNS**

<b>GDP</b>	Gross Domestic Product
<b>MBA</b>	Masters Degree in Business Administration
<b>PPDA</b>	The Public Procurement Disposal of Public Assets Authority
<b>PPOA</b>	Kenya Public Procurement Authority
<b>TOC</b>	Theory of Constraints
<b>OECD</b>	Organization for Economic Co-operation and Development
<b>UK</b>	United Kingdom
<b>USA</b>	United States of America

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Public procurement can be termed as the activity of the Kenyan administration of acquiring the needed goods and services to execute its purposes (Arrowsmith, 2010). Odhiambo and Kamau (2003) notes that public procurement is generally viewed as the purchase, hire, or obtain by any goods, means, and services, construction works by the public sector. This involves the procurement of goods and services when purchase is affected with property from local authority budgets, state budgets, household loans assured by the state, foreign aid and revenue got from the financial activity of state. Hommen & Rolfstam (2009), asserted that public procurement is the acquirement of governmental needs. Arrow Smith (2010) contends that the idea of public procurement is referred to as procurement development, contract assignment and contract management.

In the current developments in the Kenyan society, organizations depend more on supply chain to achieve performance standards. Purchase and supply management has achieved an advanced level of meaning. There is a greater reliance on supplier (Kannan and Tan, 2002). Suppliers have played deliberate roles in companies, and have extensively engaged increasing a competitive gain and their activities have a positive influence on the organizations performance (Jabbour and Jabbour, 2009). Many organizations have faced the complications of supplier's incapability to progress themselves (Krause et al, 2000).

The public sector in the African continent has been grappled with shortage and delivery of efficient services. To manage the poverty trial it is the duty of the public sector in association with other stakeholders. The country will however distribute all the more productively to all subjects and to needy individuals especially if certain apparatuses are set up to man the progressively lead of government operations. Open procurement in African nations represents up to 25 percent of their Gross Domestic Product. In several years the rate in developed nations has stayed at around 10 percent. In spite of the fact that in supreme terms, the market exchange of procurement volume in developing nations is no longer important, the relative higher proportion

it has on add up to GDP is a motivating force sufficiently enormous for development of any economic collusion which most worldwide exchange associations would not bear to effortlessly give up (Arrowsmith, 2010)

Around the world, several scholars, for example USA and the UK have known that there is a tendency by manufacturing companies to decrease their base of supplying (Harland, 2006). There has been however little empirical research on supplier development in other most important industrialized countries, which includes Germany. In the German assembling segment it is noticed that there is an extremely solid  $\pm 24.8$  for each penny of the faculty utilized in assembling and this segment is responsible for 25 for every penny of the GDP (Euro-screen plc, 2009). For a long time the aggressiveness of the German assembling industry has been the subject of much remote regard (Sim0 jjlo0on, 2002). Subsequently with high work costs and assessments, this lead has been battered. The view among numerous journalists in Germany is that with a specific end goal to wind up noticeably more aggressive, its assembling segment ought to receive all the more prescribed procedures from abroad (Lay et al., 2006; Kinkel and Wengel, 2007) one best practice being supplier performance management.

According to Diageo (2011) Kenya has firms that are successful in their supply chain performance through application of effective supplier development strategies. Many firms have successfully implemented effective supplier management mechanisms through the development of strong associations with its suppliers, this ensures that suppliers are necessary to its processes are sustainable, that agreements are just and that the business they conduct together is equally beneficial. To make sure that their suppliers are aligned to its ways of working, they have created the partnering with suppliers file that sets out our minimum agreement standards which are expected by prospective suppliers to have in place and which are enforced contractually.

### **1.1.1 Supplier Development Strategies**

According to Krause (2009), the supplier development methodology extensively alludes to the exertion of purchasing firms to upgrade the performance of suppliers and meet the long term objectives. Buyers make use of a variety of supplier development practices which improve the performance of suppliers. According to Krause et al. (2007) noted that supplier development is

made of activities such as goal setting, evaluation of suppliers, the technical support to suppliers, performance measurement, supplier training among others, these practices entails direct involvement which ensures multi-dimensional nature of developing the suppliers (Pagell & Curkovic, 2001).

Supplier development is expected to improve the total added value from the suppliers in charge of quality, business processes and performance of the purchasing firms (Modi & Marbert, 2007). The supplier development is undertaken with the suppliers which exist and are willing to improve. Suppliers are being categorized in according to their development and they hold a special place in the investment in organizations.

According to Trent & Monczka, (2009), supplier development does not exist in a single approach but rather undergoes three different levels for example basic, moderate and in advanced levels. According to Perterson et al (2005) and Narasimhan and Wang (2007), the important part of condition to supplier development and any supply management professional should consider is to appreciate their own corporate goals and objectives in business right before thinking on supplier development. The supplier development projects should be undertaken should be in support of buying and supporting the management strategy which helps the development strategy in organizations (Muhkerji & Francis, 2008). However there are investments in supplier development which are specific to that area and advanced in time and resources consuming and complicated to the buyer. Even though academic literature elaborates so many constructs in which supplier development is confined, only a few have a strong focus on it. Wuyts and Geyskens (2005) studied the role of contract drafting and close partner selection on the formation of strong supplier-buyer relationships which eventually translated into greater firm performance.

### **1.1.2 Procurement Performance**

Kakwezi and Nyeko (2014) did a study which related procurement performance and effectiveness of procurement operations. Further studies done by Muma et al. (2014) Noted that performance in procurement is related with the cheaper procurement costs and enhanced attainment of aims in organizations. According to Chemoiywo, (2014), the idea of procurement performance came out strongly in the Kenyan Public sector due to the procurement malpractices

and lack of efficiency, therefore characterizing the public procurement in Kenya with inadequate funding (Ikumu, 2014)

According to discussions from done by Rotich et al. (2015), they noted that performance in procurement concerns procurement operations which are efficient and effective to the public. This comes with indicators which include the variance in prices, the level of utilization of contracts, management of procurement processes time, costs and training of staff. Procurement performance is again related to profitability of the organization, assurance of suppliers, improvements of quality and enhanced business competitiveness (Kamotho, 2014). Therefore this study studied the influence of supplier development strategies on procurement performance.

Further public procurement an explanation was done by Osuga et al., (2015), there noted that it is the act of purchasing and operations of logistics in the public sector. In many developed and developing countries, the civic sector makes a main basis of market for suppliers and many at times becomes so a need up to 40 percent of the national demand for procurement services. For example in the UK, the demand for every year has been estimated to be £150 billion. This gave a reason the UK government to formulate contracts and regulations 2015 which has a major aim of enhancing transparency of procurement operations (UK, legislation, 2015).

Discussions in Africa, shows that due to the significance of public procurement, public conferences are being held yearly to discuss issues related to procurement integrity and transparency (International Trade Centre, 2009). However, many researchers have given out consideration on the subject of open procurement in the current past in this way leading various examinations on the theme. For instance Quinot and Arrowsmith (2013) composed a narrative on the book that focused on laws administering open procurement in various African frameworks. It concentrated on key issues which were significant to every single African nations to give a focused scrutiny of the African systems, this was to bring a deep comparison in African countries and other parts of the world.

### **1.1.3 County Governments in Kenya**

Many independent countries around the world over, which included our country Kenya have in the past used devolution system of centralization for development. After post independence in Kenya local governments still used the strong centralized governance structure which was meant to be a resolution to regional development challenges but failed instead. This was seen in the challenges experienced in Kenya which included inefficiencies in the bureaucratic system, lack of transparency and also accountability, lack of uniformity in distribution of national resources and lack of community participation in local development projects among others. Since the promulgation of Constitution of Kenya 2010 and enactment of the governance change has since been felt.

Following the inception of County Governments and election of governors, they started building their capacity to offer the services as stipulated in the constitution to their residents. County governments partly draw their funds from the central government and the local revenue collection. To ensure transparency, accountability, fairness and efficiency in the counties, in 2014, the national government rolled out the supplier development strategies into counties (Office of Auditor General, 2016). However, the e-procurement module that usually has a positive influence on sourcing and supply chain integration (Chartered Institute of Purchasing and Supply, 2012a) hasn't been fully implemented since then. Due to the increased levels of bribery in the procurement cycle cited in Kenya (PwC, 2014), the implementation of the e-procurement module should promote effectiveness, fairness, transparency, accountability in the supply chain.

### **1.2 Statement of the Problem**

The emerging supplier development strategies can improve the performance of procurement operations in organizations. Suppliers are deemed as important stakeholders in which operations their operations can impact bring solace to the general performance of procurement (Kitheka, 2013). The important part of organizations suppliers is that it should be guided by an elaborate supplier development strategy as suppliers can have a good impact on performance of any procurement process. Experience of delayed organizational deliveries accompanied by poor quality of products and services, lack of order completion and threats of legal actions arising from poor payments are common scenarios experienced by public institutions (Kirande, 2014).

The County governments of Kenya have been facing adverse challenges in achieving performance of their procurement services (Government of Kenya, 2016). Even though several countries which are still under development, in which Kenya is included, have done much to change their public procurement systems, the processes are still masked by privacy, inadequacy, and dishonesty and undercutting. Huge amounts of resources are wasted (OECD, 2003) in all these cases. Report by PPOA (Kenya Public Procurement Authority) indicates that 30% of procurement inadequacies in the public sector are accredited to supplier's performance issue. A concern of what should be done to reduce related procurement issues had to be done. Identified way in which county governments should do to reduce supplier inefficiencies was through the use of supplier development strategies. In normal situations suppliers are needed to influence positively the performance in procurement. It is however a case of wonder to realize that many studies indicate significant relationships while others show insignificance.

Studies done internationally indicate emphasis on appropriate supplier development strategies, according to Batenburg and Versendaal (2006) the utilization of inadmissible methods for procurement can be an obstruction to change and may prompt a decrease in procurement operations. In organizations which do not regard performance in their methods and plans may bring down performance and increment client disappointment. As per Collins (2009), association that oversees procurement suitably prompt predominant money related performance gathered from staying away from the cost of unscrupulous procurement specialists. It ought to be noticed that all the monies given as influences to degenerate procurement professionals by deceptive providers are guided from the purchasing association as a major aspect of cited cost of merchandise, services and works acquired. Training as staffs is also critical as it improves procurement practitioner's skills and knowledge thus improved procurement performance, experience cannot also be ignored as it leads to efficiency and effectiveness of procurement performance.

Regionally, Kiraso, 2005 in his finding done in Uganda indicated that around 70% of the country's countries' budget was used on procurements alone, also 30% of the budget was spent on emoluments of workers working in public offices. In the year 1998, the total procurement

expenditure was projected at \$200 million annually in the procurement system, in which \$500 million was spent through projects funded by donors. There have been reported cases in Kenya which showed incomplete projects arising from delayed finances or insufficient funds from the government linked to lack of proper insight on issues related to financing. According to Kabaj (2003), reliable public procurement is important in the development of African nations and is a paramount expressions to their national commitment in creating use of the national resources. Similarly it is stated that procurement entities in public offices in Uganda face the same problems of insufficient information on procurement procedures, and therefore they are not able to determine how effective or efficient the services are rendered to them.

Reports by PPOA, in the public sector in Kenya, shows that the suppliers in many occasions are selected in terms of low cost of goods and services and less important value in timely services which may enhance long term relationships. This is confirmed in a study done by World Bank in 2012 which shows Kenya in a high level of corruption in business related activities. It was argued that above 71 percent of companies obtain small gifts and incentives in order to get contracts from the government which they normally pay 12 percent of the value of the contract. On the other hand 79 percent noted that they get gifts from public officials in order to get things right. Therefore corruption counts become high in Kenya in order to get public contracts (World Bank, 2012).

In this case, the problems arise as to what criterion the county governments must use in developing their suppliers in order to achieve better procurement performance. So, this study aims to respond to the research query; what is the effect of supplier development strategies on procurement performance of the County Governments in Kenya?

### **1.3 Research Objectives**

The main aim of the research was to determine the effects of supplier development policies on procurement performance of County Governments in Kenya. The precise objectives were:

- i. To establish the supplier development strategies that are used by the county Governments of Kenya



- ii. To determine the association between supplier development strategies and procurement performance.

#### **1.4 Value of Study**

The researcher hopes that the outcomes of this study will form the basis on which future research could be built on and therefore increase the body of knowledge in the Public Sector. Further, the researcher hopes that that the County Governments in Kenya will improve their procurement performance by adopting the emerging supplier development strategies. Finally, the study

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This segment provides a review of literature associated with the study. The review of literature provides a critique of the studies done by other people; it aims at identifying and evaluating options, knowledge, attitudes and findings of various studies that have been conducted out in the area of study. The researcher collected information in this section from books, manuals, journals, newspapers, websites and magazines.

#### **2.2 Theoretical Literature Review**

According to Defee et al., (2010), a good study should theoretically be grounded. Theory of Constraints, Institutional Theory and agency theory was used in the study.

##### **2.2.1 Theory of Constraints**

The study was guided by Theory of Constraints (TOC). The theory is a theory of management which aims at increasing the efficiency of the performance of organizations which is measured by the use of process identification in an organizational system (Goldratt, 2004). The theory is found on the virtue that companies/organizations get maximum output through the flow of valued operational performance.

In relation to the study, the theory will help the county government in managing and evaluating the suppliers who supply the goods and services in the county by making sure the county selects competent suppliers with the aim of improving the quality of service delivery in the public organization. The biggest challenge of suppliers is delivering quality of services, products hence affecting firm performance.

##### **2.2.2 Institutional Theory**

Also the study employed Institutional Theory by Scott (2004). Scott (2004) asserts that firms are made of regulative and cultural cognitive essentials that work with related resources and activities to give an importance in life. He further explains organizations as administrative, regulating and social subjective. The administrative column lays emphasis on the application of sanctions, rules and laws as mechanisms of enforcement with adhere to the same based on its expedience. The normative pillar on the other hand refers to standards (how to do things) and

morals (favored or required), with social duty as the foundation of adherence.

The cultural-cognitive column focuses on communal consideration (symbols, mutual beliefs, common understanding). This theory is vital in the implementation of justifiable procurement procedure and practice in public organizations. It is an issue of organizational belief and the notch to which the predominant weather in a firm is in support of sustainability of revolution. In other words, this dimension comprises the degree to which there is provision for Supplier Provision at high ranking levels in an organization and the amount to which organizational procedures and structures support, or retard, the development (Bolton, 2006).

In relation to study, organizations are seen as institutions and each institution has its own stipulated strategies which govern their own procurement processes. In this study Kirinyaga County Government is treated as an entity in which their procurement elements guide the success or failure of their supplier strategies.

### **2.2.3 Agency Theory**

Agency theory was established by Eisenhardt, (1989). Agency theory shows the association between company managers and agents. Mostly the theory is used to resolve conflicts between the agents and the company managers where the agents need to meet the firm goals and objectives in terms of increasing company profitability and increasing shareholder value.

The theory addresses conflicts which arise where the suppliers do not meet the company goals and objectives in relations of supply of services and goods of poor quality, poor quantity, distributing goods not at the right time, and increasing company operation costs. These issues create a conflict between the supply chain department staff and the suppliers which reduces company trust with the suppliers (Fleishar, 2011).

The theory is relevant to the study, where it helps the company in improving good relationship with the suppliers by making sure the suppliers meet the demands and wants of the company through supplier development strategies hence increasing procurement performance.

## **2.3 Supplier Development Strategies**

Supplier development strategies are very important in public organization since it helps in improving supplier selection in order to increase their trust and accountability. Supplier development strategies are based on supplier identification, supplier evaluation, supplier training and financial support.

### **2.3.1 Supplier Identification**

It is the first step used in supplier development strategy. Most of the public organizations identify suppliers in different ways for instance where the firm select the suppliers through the open tendering in following the procurement process. Based on supplier identification the firm identifies the supplier based on the wants and needs on what to be supplied (Monczka et al. 2009).

Companies rely on variety sources of data when searching for a sourcing choices, for example, convey as per quality and lead time, coordinate the objective of cost and performance and how well does the momentum provider base fulfill the acquiring need. Also choosing the right supplier is not easy since it depends on the type of service or good to be purchased (Monczka et al., 2009). In today's competitive world majority of companies depend on using multiple suppliers in delivering different goods based on quality, time and price. In selecting suppliers is not an easy thing since most firms face a lot of drawbacks since the suppliers are affected by different indicators such as change sought after, absence of knowledge in the procurement of crude materials, absence of a decent quality framework and delivery issues (Kumar et each of the 2002). Subsequently in this examination for the area governments to have the capacity to distinguish the correct suppliers they have to consider factors like quality, delivery performance and cost as obstructions to effective sourcing.

### **2.3.2 Supplier Evaluation**

Supplier evaluation is very important in supplier selection process since it helps in the analyzing the supplier if he or she is competent in supplying the goods (Humphreys, 2003). The supplier evaluation is based on determining if the supplier supplies the services and goods at the right time, place, quality and quantity. Most companies find it hard in evaluating suppliers which

reduces trust and conflict among suppliers and the company management (Akenroye et al., 2012).

In most African countries follow the public procurement act in conducting supplier evaluation such as Kenya where they use the Public Procurement Disposal Act 2015 where it helps in supplier evaluation making sure public organizations such as public hospitals, public schools, county governments, parastatals among others when conducting open tendering make sure they select qualified suppliers who are competent in what or have ever supplied goods in order to improve supplier based (PPOA, 2015).

### **2.3.3 Supplier Training**

Supplier training is a procurement force that promotes suppliers to higher levels of performance. Supply company managers make sure to train suppliers who have positive work experience to decisions making hence motivating suppliers in result increasing firm performance. Competitive companies in the work make sure that engaged suppliers are maintain for customer satisfaction, low misuse of resources, customer friendly, work with minimal supervision and have low motive of winning bids. The companies make sure they provide the suppliers with motivation programs, promotion programs and good supplier programs (Ambrose et al, 2008).

Poorly trained suppliers in an organization is unhealthy since it affects the firms performance, also the suppliers are less likely to remain in the organization hence increasing change of quitting supply of goods and services. But trained suppliers feel a sense of belonging in the supply organization hence meeting the objectives and goals of the firm. They are mostly likely to stay in the organization hence enhancing winning of bids. Therefore, training suppliers are very important tool in increasing supplier base since it increases supplier competency (Nadia et, al, 2011).

### **2.3.4 Supplier Financial Support**

Supplier financial status is a very important aspect when evaluating suppliers especially in the supplier selection process where most of the public organizations in a country analyzing how financial stable are the suppliers in order to check if they are capable of supply the goods in that financial year. Most public organizations assess supplier finance stability in terms of bid bond and performance bond whereby they check their contract performance (Chartered Institute of Purchasing and Supplies, 2012).

The public organizations select suppliers who are capable to supply the goods and services throughout according the contract agreement until it ends. The supplier finance support helps to compete with other suppliers in making them to remain in the market (Handfield et. al., 2008).

The bind bond and performance bond helps to reduces supplier financial risks and also creates good trust with the clients. Most of the cases the winning bidder submits the bind and performance bond. As indicated an organizations financial stability reflects the organizations ability to procure well therefore this study sought to measure this in the county governments of Kenya.

## **2.4 Procurement Performance Measurements**

The success of any company depends mainly on how well procurement operations is performing. Consequently, management is keen to ensure that procurement praticioners's quality of work life is well managed to increase supplier efficiency. Companies heavily invest in their suppliers in terms of training since suppliers know what customers want where most of them act as company marketers. More to this, suppliers' cohesion means that they can be more productive if none or just a few are left. High procurement performance is based on good suppliers, where goods and services are supplied in the right time, low cost, right quality and quantity (Thai, 2004).

Company management has therefore had to develop innovative ways in which they could improve procurement operations but there has been challenges of maintaining procurement operations at its level. Many scholars have recommended development of supplier but research in this area is still lacking and the concept of a model for managing suppliers is still a far-fetched idea for most companies in Kenya. This is despite the high number of suppliers who supply the goods and services in public organizations, the firm management make sure there is supplier base (Project Management Institute, 2004).

Globally the concept of procurement performance is a concern for a majority of the multinational companies but the procurement department in most of these multinational companies have found ways to manage suppliers to some acceptable level. This is despite the growing concern of harnessing the supplier potential to the maximum. The methods employed are diverse and varied. A suitable model to deal with this challenge is yet to be developed but various companies are currently using a blend of procedural guidelines to improve supplier base (Chitkara, 2005).

## **2.5 Empirical Literature Review**

A study on the significance of provider determination and evaluation criteria of American assembling organizations for things to be utilized as a part of items in production by Weber, Current, & Benton (2001) showed that supplier commitment in strategic way to a buyer brings a lot of impact to the performance of the organization. Schiele (2007) further found that that audits in supplies influences the level of firm's performance. The study established that there was a noteworthy connection between the purchase maturity level and costs. A study by OECD (2007) found that performance was 66 percent with the use of BLI indicators. The study found out that the rules and their administrative framework was strong all over contrary to other issues which included its integrity and the management capacity.

While Kenya had a score above the threshold of 1.5 out of 3, there is still much room for improvement, especially on market practices and procurement operations. State Corporations are organizations where the government owns more than 50 percent of the share capital, thereby making it the single largest shareholder. As indicated by the Report of the Presidential Taskforce on Parastatal Reforms (2013), a State Company should be an element howsoever acclimatized that is exclusively or greater part controlled by the government or its operators for business purposes. The taskforce report alerts that a business work is one administered by an unobtrusive profit driven market and can be accomplished monetarily although Parastatals can also serve strategic socio-economic purposes as may be defined by the President from time to time.

Mwikali and Kavale (2012) sought to investigate the factors influencing supplier selection. The study established that the cost of services in procurement is the most considered in procurement. Their study made conclusions that cost of procurement dictates the profits margins of the organization.

In a study conducted by Masiko (2013), strategic procurement practices contributed to increased performance of procurement in Commercial Banks. The practices mainly included goal setting and supplier development tactics. The study conclude that critical organizational functions enhances service delivery of procured goods and services and therefore enhanced procurement performance.

According to Barsemoi, Mwangagi and Asienyo (2014), some of the factors that contribute towards procurement performance in Kenya's private sector include staff competence,

organizational structures that allow for open decision making, quality management system and the use of information technology not only to ensure dissemination of information but also the accuracy of information reaching to all stakeholders. While the PPDA of 2005 has been in operation since 2007, Kenya's public institutions have been swept with corruption issues and ended up in court cases (Engelbert, Reit & Westen, 2012).

## **2.6 Challenges faced by County Government in Procurement**

Public procurement practitioners in both developed and developing countries have and will face always procurement trials. Depending on its economic, cultural, social or political environments, countries procurement practitioners face different challenges but have the same challenges but in different levels.

Public procurement remains an important issue in the government with different reasons. The pure scale of procurement has an important influence on the economy of every country and requires to be achieved successfully. Countries around the globe appraisals financial activities to be wholly expensive which approximates between 10%-30% of the country's GDP (Callender & Mathews, 2000). In order to handle these procurement challenges, outlays has been a routine and a management concern to public procurement experts

Secondly, public procurement has been employed as an instrument to achieve development objectives. In the report the strength of government and procurement opportunities gives more opportunities for implementing national policies (Federal Acquisition Institute, 1999).

Finally, experiencing trials above and others, which includes technological developments cannot be taken for granted as a clerical routine (Hinson & McCue, 2004). In the past public procurement practitioners challenge the clerical task of public procurement.

## **Independent Variable verse Dependent Variables**

In order for continued success to be experienced, it is important for the management to aggressively assess progress and review the strategies if performance is justified, critical strategies such as identification, evaluation, training and their financial stability is paramount. Lack of this may lead to underperformance in organizations which include frequent switch of suppliers, procurement of high costs of goods taking too much time to deliver. This study



therefore seeks to evaluate the impact of supplier development strategies on procurement performance.

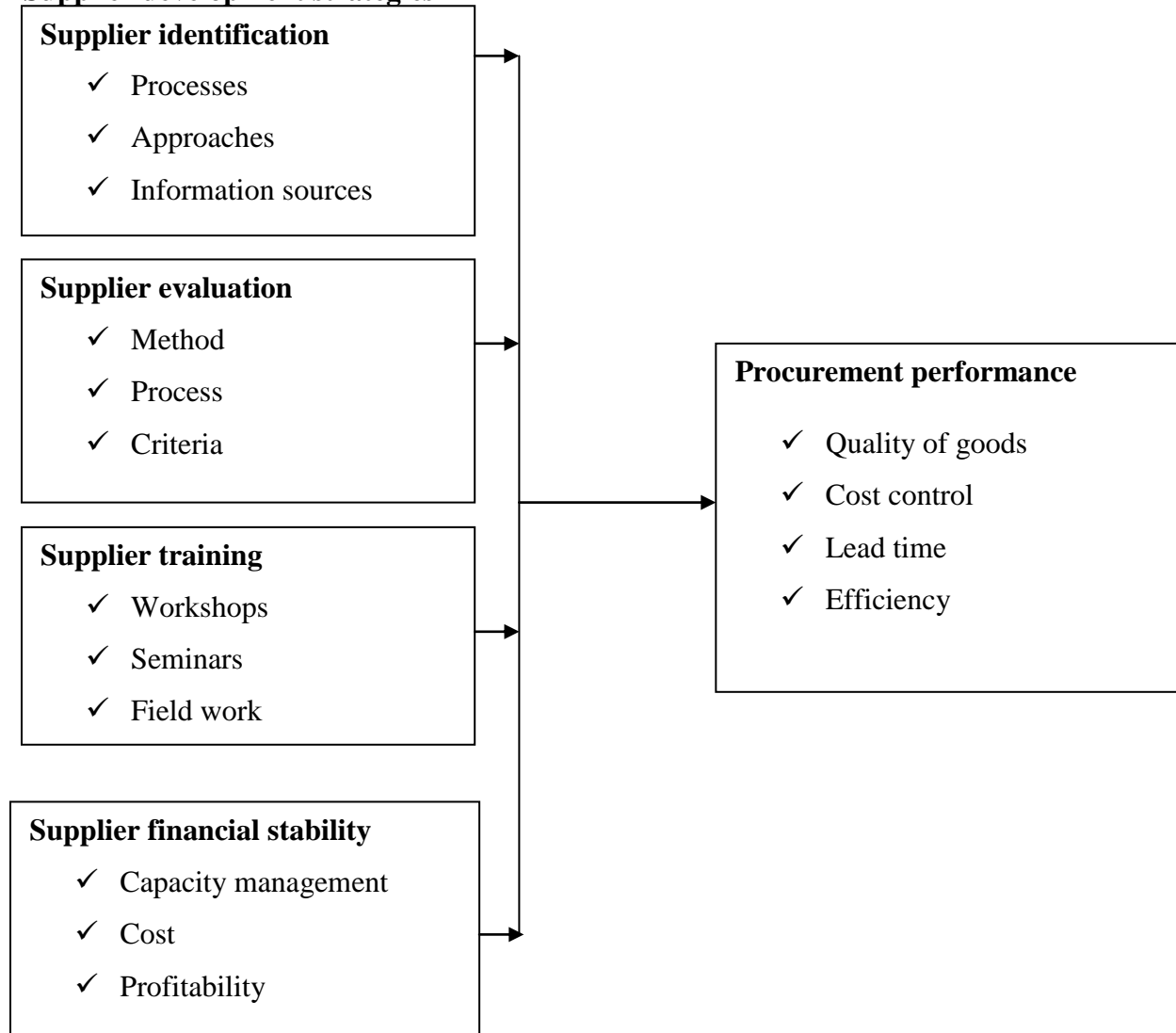
## 2.7 Conceptual Framework

The study was steered by the following conceptual framework

### Independent variable

### Dependent variable

#### Supplier development strategies



Source: Rachael Njeri Kinyua (2017)

## 2.8 Summary and Knowledge gaps

Numerous studies have been done on the field of procurement, Aseka (2010) conducted a research on supplier assortment measures and performance of industrial firms that are listed in the Nairobi Stock Exchange. Masiko (2013), studied on strategic procurement practices and performance of procurement in Commercial Banks. Kamenya (2014) did a study on the association between supplier assessment and performance in established food and beverage production companies in Nairobi. Nasra (2014) also did a study seeking to depict on the relationship between procurement performance and operations efficiency in the telecommunication trade in Kenya. There was no study which primarily focused on supplier development strategies and procurement performance especially in County Governments. This study sought to fill this gap.

<b>Paper 1:</b>	Effects of supplier selection practices on service delivery in West Pokot County government. International Academic Journal of Procurement and Supply Chain Management, 2 (2), 74-90				
Lowasikou, S. K. & Iravo, M. A. (2016).					
Study Area	Variables	Research Design	Theory/Model	Findings	
West Pokot	Prequalification, Procurement Methods, Post Qualification and Preferential Selection of Suppliers, Service Delivery	This study utilized a quantitative research design.	The research was guided by Cox theory, Transactional cost theory, Resource based view theory, and Bensaou theory.	These findings show that service delivery at the County Government of West Pokot performance will be having an in index of 1.371 when all the independent variables are held constant. The test of hypotheses revealed that the relationship between the service delivery and the study variables (prequalification, procurement methods, post qualification and preferential	

				selection) is positive and statistically significant hence rejection of all the null hypotheses.	
Paper 2: A Review and Critique of Supplier Selection Process and Practices					
Author: Mahmut Sonmez (2006)					
	Supplier selection; multiple method decision making; international supplier selection;	The study used a descriptive survey design where 147 supply companies were used and questionnaires were used as data collection instrument.		The study found out that supplier selection helps in improving service delivery in firms where the procurement methods used select competent suppliers who meet the clients' needs. Both multiple method decision making and international supplier selection enhance customer satisfaction where it builds good relationship between supplier and customer.	
Paper 3:Supplier Selection Criteria And Performance Of Manufacturing Firms Listed In The Nairobi Stock Exchange					
Author: Aseka 2010					
	To identify the	The study was a survey		The study found	

	<p>criteria used by manufacturing firms listed in Nairobi Stock Exchange in selecting suppliers of their key materials</p> <ul style="list-style-type: none"> <li>• To establish the comparative importance of each criterion to the firms.</li> <li>• To determine the relationship between supplier selection criteria and firm performance.</li> </ul>			<p>out that quantitative supplier assortment criteria are the criteria predominantly employed by manufacturing firms listed on the NSE in the selection of their key suppliers. Supplier's technical expertise was the most important supplier selection criterion followed by sense of duty regarding quality and capacity to meet delivery due dates. Cost of materials, parts and administrations, although considered fairly</p>	
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				important did not rank in the top ten criteria.	
Paper 4: Supplier Evaluation And Performance Of Large Food And Beverage Manufacturing Firms In Nairobi, Kenya					
Kamenya (2014)					
	To determine the measures used to assess suppliers in the substantial nourishment and drink fabricating organizations ii. To build up the performance levels of expansive food and drink fabricating firms iii. To decide the connection between provider assessment and performance of vast food and drink industrial companies	A descriptive survey design was used.		The results showed a significant connection between supplier assessment and performance of large food and beverage industrial companies in Nairobi, Kenya.	

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter represents the techniques and approaches that the researcher adopted for the study. It discusses the research design, target population, sampling procedure and sample size, research instruments, data collection methods, data processing and analysis.

#### **3.2 Research Design**

This study utilized a descriptive survey design. As per Sekaran and Bougie (2011) descriptive assessment is attempted at keeping in mind the end goal to determine and have the capacity to depict the characteristics of the variable of enthusiasm for a circumstance. Illustrative examinations are essential in numerous circumstances particularly when utilizing subjective and quantitative information in understanding the phenomena.

#### **3.3 Target Population**

Target population consisted of the staff of the 47 County governments of Kenya. The study concentrated on the senior organization staff in the procurement and finance department and the procurement officers in the various County Governments; the preference of the target was because the officers are knowledgeable about the performance of procurement department in the County.

#### **3.4 Sampling design**

Due to the nature of the research, the study sampled one participant from each of the three departments that is one senior management head, one procurement officer and one financial officer from each of the 47 counties. Therefore the sample for the study was the 47 senior management heads, 47 procurement officers and 47 finance officers.

Therefore, the study adopted census sampling on all the target respondents. A census is an assessment of each unit composed of everybody or everything, in a populace. It is depicted on as the total specification, which implies a total check. Therefore all the participants were involved in the study (Saunders, Lewis & Thornhill, 2012).

### **3.5 Research Instruments**

Electronic questionnaires and telephone interview questionnaires were used to collect the data for research. The questionnaires were emailed to the various procurement officers, finance employees and senior management employees, follow ups were made through telephone interviews on the same.

#### **3.5.1 Questionnaire**

According to Kothari (2008), a questionnaire is an apparatus that comprises of various questions printed or written in a positive request on a frame or set of structures. The researcher developed close-ended and open-ended questions, which were emailed to the objective. The researcher utilized a poll in light of the fact that conceivably data can be collected from an extensive section of a populace. This potential isn't frequently accredited, as the outcomes from polls are typically low. This is as a result of the number of respondents expected (large number) questionnaires were the most appropriate research instrument used in the study.

#### **3.6 Data Collection Procedure**

The researcher acquired authorization from University of Nairobi and from the selected public entity in County Government to conduct the research. A research authorization from the Ministry of Education, Science and Technology was then sought. The researcher emailed and collected the questionnaires immediately after the exercise which ensured efficiency in collection of the data. Telephone calls were also made to clarify any questions that arose during the process.

#### **3.7 Data Processing and Analysis**

Data was tabulated and statistically assessed using both inferential and descriptive. Descriptive statistics such as frequencies, and means and std. deviations were done to enable the researcher to meaningfully describe the findings, while inferential statistics were used to analyze relationships between variables (Chi-square tests,  $P <= 0.05$ ). Data were presented in Tables. The study used SPSS program version 22 to aid the analysis.



## CHAPTER FOUR

### PRESENTATION, INTERPRETATION AND DISCUSSION OF FINDINGS

#### 4.1 Introduction

This chapter contains the outcomes analyzed from the data collected. The primary aim of the study was to evaluate supplier development strategies and procurement performance of county governments of Kenya with its definite objectives being to establish the supplier development strategies that are used by the county Governments of Kenya and to establish the connection between supplier development strategies and procurement performance.

#### 4.2 Response Rate

The study targeted a total of 141 respondents from the 47 counties in Kenya, this included 47 senior management heads, 47 procurement officers and 47 finance officers. A total of 127 questionnaires were successfully filled in time for data analysis. This represented 90% response rate. A response rate of 70% and above is considered as satisfactory (Mugenda and Mugenda, 2009). Therefore, the response rate was satisfactory for data analysis.

**Table 4.1: Response rate**

Category	Frequency	Percentage
Issued	141	100.0 %
Returned	127	90%

#### 4.3 Background Information

The researcher found it important to examine the demographic features of the respondents since it creates the foundation in which the study can dully access significant information for the study. Demographics of the study included the respondent's gender, the age bracket, and the uppermost

level of education of the respondents and finally the length of time they have worked in the current procurement office.

#### 4.3.1 Gender of the Respondents

The gender dispersal of the respondents is shown in Table 4.2 below;

**Table 4.2 Gender of the Respondents**

<b>Gender Distribution</b>	<b>Frequency</b>	<b>Percent</b>
Male	73	57.5
Female	54	42.5
<b>Total</b>	<b>127</b>	<b>100.0</b>

The results reflected that 57.5% of the respondents were male while 42.5% were female. The data suggests that most of the employees in the targeted departments were male and therefore formed the highest number of respondents in the study.

#### 4.3.2 Age of the Respondents

The age dissemination of the respondents is presented in Table 4.3

**Table 4.3 Age of the Respondents**

<b>Age Distribution</b>	<b>Frequency</b>	<b>Percent</b>
26-30 years	46	36.2
31-35 years	14	11.0
36-40 years	6	4.7
41-45 years	18	14.2
over 46 years	43	33.9
<b>Total</b>	<b>127</b>	<b>100.0</b>

The results reflected that 36.2% of the participants were between the ages of 26-30 years, 33.9% were over 46 years, 11% were between 31-35 years, 14.2% were between 41-45 years and 4.7% were between 36-40 years.

### 4.3.3 The length of time worked in the County

The distributions of the length of time the respondents have worked in the county offices are presented in Table 4.4 below;

### 4.4 SUPPLIER DEVELOPMENT STRATEGIES

The first objective of the research was to determine the supplier development strategies that are used by the county Governments of Kenya. The table below gives a summary of the responses the researcher got with regard to the supplier development strategies using a scale of 1 to 5 where 1- Strongly Disagree, 2- Disagree, 3-No idea, 4-Agree, 5 strongly agree.

**Table 4.4 supplier development strategies**

<b>Supplier development strategies</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>Mean</b>	<b>Std. Dev</b>
<b>I do understand the supplier development strategies</b>	F	13	25	8	51	30	3.47	1.320
	%	10.2	19.7	6.3	40.2	23.6	69.4%	
<b>In my opinion, supplier development strategies are important in procurement performance</b>	F	6	20	2	63	36	3.811	1.152
	%	4.7	15.7	1.6	49.6	28.3	76.2%	
<b>When buying, the county does supplier identification before issuing orders</b>	F	6	17	3	40	61	4.04	1.214
	%	4.7	13.4	2.4	31.5	48	80.8%	
<b>The management is keen on enhancing specific supplier attributes</b>	F	6	19	2	66	34	3.811	1.132
	%	4.7	15	1.6	52	26.8	76.2%	
<b>The county trains key suppliers on best supplier practices</b>	F	7	17	8	54	41	3.82	1.182
	%	5.5	13.4	6.3	42.5	32.3	76.4%	
<b>The county helps suppliers in the evaluation process before</b>	F	0	13	8	55	51	4.13	0.928
	%	0	10.2	6.3	43.3	40.2	82.6%	

---

<b>procurement</b>									
<b>The county extends financial support to suppliers to enhance their delivery capacity</b>	F	0	17	8	69	33	3.92	0.927	
	%	0	13.4	6.3	54.3	26	78.4%		

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The findings revealed that 69.4% (mean=3.47) of the respondents strongly agreed that they do understand the supplier development strategies, 76.2% (mean=3.811) noted that they know that supplier development strategies are important in procurement performance, 80.8% (mean=4.04) agreed that when buying, the county does supplier identification before issuing orders, 76.2% (mean=3.811) noted that the management is keen on enhancing specific supplier attributes, another 76.4% (mean=3.82) agreed that the county trains key suppliers on best supplier practices, 82.6% (mean= 4.13) of the participants strongly agreed that the county helps suppliers in the evaluation process before procurement and 78.4% (mean=3.92) strongly agreed that the county extends financial support to suppliers to enhance their delivery capacity.

These findings were interpreted to mean that indeed the county governments in Kenya use the supplier development in their day to day procurement processes. As depicted from the findings, they noted that they do understand the supplier development strategies; they went further and stated that they identify their suppliers before procurement processes, therefore they are keen in perfecting their supplier development strategies in order to achieve the best supplies to their various counties.

#### **4.4.1 SUPPLIER IDENTIFICATION**

Supplier identification was a strategy identified in the study as one of the supplier development strategies. Findings on supplier identification strategy are shown in table 4.5 below;

Table 4.5 Supplier Identification

<b>Supplier identification</b>	<b>Mean</b>	<b>Std. Dev</b>
<b>The county have been able to source from suppliers who able to provide high standard products</b>	4.1654	1.19366
<b>The suppliers are able to supply what is needed in the county</b>	3.9528	0.958
<b>Supplier identification have increased administrative efficiencies</b>	4.0157	0.95937
<b>Through supplier identification the procurement speed has been heightened</b>	4.2126	0.77285
<b>Procurement costs have been reduced</b>	4.1181	1.08096

Table 4.5 reflects on the mean and standard deviation for the responses on supplier identification strategy and procurement performance. According to the findings, the participants agreed that the county have been able to source from suppliers who able to provide high standard products (mean=4.1654), the suppliers are able to supply what is needed in the county (mean=3.9528), supplier identification have increased administrative efficiencies (mean=4.0157), through supplier identification the procurement speed has been heightened (mean=4.2126) and that procurement costs have been reduced (mean=4.1181). All of the supplier identification indicators had a mean of between 4 and 5 an indication that supplier identification positively influences procurement performances in the county governments of Kenya. However a few were not sure (mean, 3.9528) the suppliers are able to supply what is needed in the county.

#### 4.4.2 Relationship between Supplier identification and procurement performance

The Chi-square test at  $p \leq 0.05$  implication level exemplifying statistically noteworthy link between supplier identification and procurement performance are as abridged in Table 4.6. Therefore, Table 4.6 shows the Chi-square test that was done to reflect on the relationship between supplier identification and procurement performance in County Governments of Kenya.

**Table 4.6 Chi-Square Tests Relationship between Supplier identification and procurement performance**

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	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2183.778 <sup>a</sup>	1188	.000
Likelihood Ratio	637.413	1188	1.000
Linear-by-Linear Association	.546	1	.460
N of Valid Cases	124		

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a. 1273 cells (100.0%) have predictable sum less than 5. The least expected total is .02.

---

From the results, the P-value for the Pearson Chi-Square test for link supplier identification and the procurement performance is 0.00 at 5% level of impact. Since the p-value ( $p=0.00$ ) is less than 0.05, therefore, statistically it reflects significant affiliation between the two

#### 4.4.3 SUPPLIER EVALUATION

Supplier evaluation is a supplier development strategy deemed to influence procurement performance in the study. Table 4.7 depicts the findings

**Table 4.7 Supplier evaluation**

<b>Supplier evaluation</b>	<b>Mean</b>	<b>Std. Dev</b>
<b>Reduces delays in procuring of goods for the county</b>	4.1260	.86366
<b>Improves quality of services procured to the county</b>	4.2598	.86568
<b>Ensures steady supply to the county hence improved services to the public</b>	4.4016	.80927
<b>Ensures price control for the county products/services</b>	4.5512	5.13115

The table above shows the means and standard deviations of the replies with regard to supplier evaluation strategy. The results shows that supplier evaluation reduces delays in procuring goods for the county (mean=4.1260), that it improves the quality of services procured to the county (mean= 4.2598), that it ensures steady supply to the county hence improved services to the public (mean=4.4016), that it ensures price control for the county products/services (mean=4.5512). therefore this meant that majority of the respondents agreed that supplier evaluation greatly influence procurement performance in the county.

These descriptive statistics was followed by a Chi-squaretest to assess the relationship between supplier evaluation and procurement performance. This was examined below.

#### **4.4.4 Chi-Square tests on the relationship between Supplier evaluation and procurement performance**

The Chi-squaretest at  $p \leq 0.05$  significance level explaining statistically noteworthy connection between supplier evaluation and procurement performance are as short in **Table 4.8**.

**Table 4.8 Chi-Square tests on the relationship between Supplier evaluation and procurement performance**

	<b>Chi-Square Tests</b>		
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2108.000 <sup>a</sup>	1122	.000
Likelihood Ratio	655.898	1122	1.000
Linear-by-Linear Association	.175	1	.676
N of Valid Cases	124		

a. 1206 cells (100.0%) have expected sum less than 5. The minimum expected total is .01.

Based on the results above, the P-value for the Pearson chi-squaretests is 0.000. The p-value (p=0.000) is less than 0.05, therefore, showing a statistically noteworthy connection between supplier evaluation and procurement performance implying that supplier evaluation has a positive impact on procurement performance of processes in the selected county governments of Kenya.



#### 4.4.5 SUPPLIER TRAINING

The study assessed whether supplier training as a supplier development strategy affect the procurement performance in the County government. The results are presented table 4.9 below;

**Table 4.9 Supplier Training**

<b>Supplier training</b>	<b>Mean</b>	<b>Std. Dev</b>
<b>Conducting training programs for key suppliers has reduced our product cost</b>	3.9449	1.25551
<b>Our product quality have improved through supplier training hence procurement performance improved</b>	4.2441	.92339
<b>Conducting training programs for key suppliers has improved our operational flexibility hence better delivery to our citizens</b>	4.3543	68461
<b>Conducting training programs for key suppliers has improved on our speed to deliver to our citizens</b>	4.0945	1.12287

The findings indicated that conducting training programs for key suppliers has reduced the counties product cost (mean=3.9449), it was also noted that their product quality have improved through supplier training hence procurement performance improved (mean=4.2441), conducting training programs for key suppliers has also improved their operational flexibility hence better delivery to their citizens (mean=4.3543) and that conducting training programs for key suppliers has improved on their speed to deliver to our citizens (mean=4.05945). these findings reveals that majority of the participants agreed that supplier evaluation indeed impacts postively the performance of procurement processes.

Further the study assessed if there is any affiliation between supplier training and procurement performance. The findings are presented below;

#### 4.4.6 Chi-Square tests on the relationship between Supplier training and procurement performance.

The Chi-square test at  $p \leq 0.05$  significance level showing statistically noteworthy affiliation between supplier training and procurement performance are as précised in **Table 4.110**.

**Table 4.10 Chi-Square tests on the relationship between Supplier training and procurement performance.**

<b>Chi-Square Tests</b>			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1984.000 <sup>a</sup>	1056	.000
Likelihood Ratio	624.732	1056	1.000
Linear-by-Linear Association	16.140	1	.000
N of Valid Cases	124		

a. 1139 cells (100.0%) have projected sum less than 5. The least probable total is .02.

The study found a significant relationship between supplier training and procurement performance ( $p=0.00$ ). Therefore implying that when there is a lot of supplier training in the county governments of Kenya, excellent procurement performance will be achieved

#### 4.4.7 SUPPLIER FINANCIAL SUPPORT

The study assessed the effect of supplier financial support on procurement performance of the county governments of Kenya. Using a scale of 1 to 5, the outcomes are presented in Table 4.11 below;

**Table 4.11 Supplier financial Support**

<b>Supplier financial Support</b>	<b>Mean</b>	<b>Std. Dev</b>
<b>Ensures service delivery to our citizens</b>	4.2441	.88834
<b>Improves quality of services procured</b>	4.1969	.98432
<b>Giving financial support to key suppliers has reduced our product cost hence better service delivery</b>	4.1496	.91789
<b>Ensure sufficient and availability of materials</b>	4.0630	.85215

As depicted from the table, the study revealed that supplier financial support ensures service delivery (mean=4.2441), that it improves the quality of services procured (mean=4.1969), that giving financial support to key suppliers has reduced the product cost hence better service delivery (mean=4.1496) and that it has ensured sufficient and availability of materials (mean=4.0630). The study indicated of a mean of between 4 and 5 implying that supplier financial support had a positive result on the performance of procurement processes.

#### 4.4.8 Relationship between Supplier financial Support and Procurement performance

The study was aimed at examining the relationship among supplier financial support and procurement performance; the outcomes are offered in table 4.12

**Table 4.12 Relationship between Supplier financial Support and Procurement performance**

	Chi-Square Tests		
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1734.278 <sup>a</sup>	990	.000
Likelihood Ratio	595.385	990	1.000
Linear-by-Linear Association	14.920	1	.000
N of Valid Cases	124		

a. 1072 cells (100.0%) have projected sum less than 5. The least probable total is .01.

The study found a significant relationship between supplier financial support  $p=0.000$  and procurement performance. This also implies that a lot of financial support to suppliers brings a worthwhile effect to the performance of procurement processes.

## 4.5 PROCUREMENT PERFORMANCE

Procurement performance in the study was measured in terms of the procurement costs, the price variance, expiration management, contract utilization, the supplier performance, the payment processing time and the state of state training programs in the counties. The findings are presented below;

### 4.5.1 PROCUREMENT COST

**Table 4.13 Procurement cost**

<b>Procurement cost</b>	<b>Mean</b>	<b>Std. Dev</b>
<b>Reduction in cost operations</b>	4.2677	.86785
<b>The procurement department's response to request for quotation</b>	4.0472	1.01464
<b>The department lowers information search cost for suppliers</b>	4.1732	1.42034
<b>The county streamlining procurement processes and build confidence of employees</b>	4.9291	6.41944

The findings indicated that there was a reduction in cost operations (mean=4.267), the procurement departments response to request for quotation (mean=4.0472), the departments has lowered information search cost for suppliers (mean=4.1732) and that the county streamlining procurement processes have built the confidence of employees. The mean ranged between 4 and 5 meaning there was a positive agreement on procurement costs.

#### 4.5.2 PRICE VARIANCE

Responses on price variance are depicted in Table 4.14 below;

**Table 4.14 Price variance**

<b>Price variance</b>	<b>Mean</b>	<b>Std. Dev</b>
<b>Prices paid for products and services are in alignment with national prices</b>	4.3701	.71050
<b>Purchasing ethics ensure compliance with all relevant guidelines</b>	4.1575	.84914
<b>E-procurement is best suited when ordering products</b>	4.1024	1.18747
<b>Well established goods receiving procedure</b>	3.9286	1.23404
<b>Constant reviews or audits of procurement procedures can be conducted to ensure integrity is taken into consideration and attained</b>	4.1732	.95198

The results found out that the prices paid for products and services are in alignment with national prices (mean=4.370.1), further findings also indicated that purchasing ethics ensure compliance with all relevant guidelines(mean=4.1575), also the respondents noted that E-procurement is best suited when ordering products(mean=4.1024) and that constant reviews of procurement processes can be conducted to ensure probity is being measured and achieved (mean=4.1732) however a few respondents moderately agreed that there is well established goods receiving procedure. Again these findings could mean that price variances of procured goods were accommodative.

### 4.5.3 CONTRACT UTILIZATION

Findings on contract utilization are presented in Table 4.15 below

**Table 4.15 Contract utilization**

<b>Contract utilization</b>	<b>Mean</b>	<b>Std. Dev</b>
<b>Efficient procurement mechanisms are being used</b>	3.8740	1.03120
<b>Those included with procurement obligatory to announce any potential irreconcilable circumstance and expel themselves from the procurement procedure</b>	4.0236	1.01156
<b>Advertisement of an invite for bids, pre-qualification or call for articulations of intrigue are legitimately followed in the procurement procedure</b>	4.2913	.91816
<b>Authorities directing procurement should have the capacity to show that their choices are reasonable and fair, and made as per the law, office tenets and rules, and states of agreement</b>	4.4724	4.63223

The findings on contract utilization indicated that the some of the respondents moderately agreed on the fact that the efficient procurement mechanisms were being used (mean=3.8740), included with procurement obligatory to announce any potential irreconcilable circumstance and expel themselves from the procurement procedure (mean=4.0236), Advertisement of an invite for bids, pre-qualification or call for articulations of intrigue are legitimately followed in the procurement procedure (4.2913) and that Authorities directing procurement should have the capacity to show that their choices are reasonable and fair, and made as per the law, office tenets and rules, and states of agreement (mean=4.4724). These findings also meant that contract utilization was positively influenced by supplier development strategies.

#### 4.5.4 EXPIRATION MANAGEMENT

The study was aimed at evaluating the effect of expiration management on efficiency in procurement performance. The outcomes are depicted in Table 4.16 below

**Table 4.16 Expiration management**

<b>Expiration management</b>	<b>Mean</b>	<b>Std. Dev</b>
Good supply chain practices are being used	3.9134	1.09851
The supplier ensures timely supply of good quality products	4.5118	4.60136
Inventory and demand management practices are implemented	4.2913	.75709
The procurement officers in the county make informed decision due to failure to follow procurement regulations	4.0157	.93422
Purchasing ethics ensure compliance with all relevant guidelines	3.8976	1.18747
Professionalism in procurement improve the quality of products supplied	4.5354	3.67919

Depicted from the Table the findings indicated that the respondents moderately agreed good supply chain practices were being used, that the supplier ensured timely supply of good quality products (mean=4.5118), that the inventory and demand management practices are implemented (mean=4.2913), and that the professionalism in procurement improved the quality of products supplied (mean=4.5354) however on that purchasing ethics ensure compliance with all relevant guidelines (mean=3.8976) of the respondents moderately agreed that purchasing ethics ensure compliance with all relevant guidelines. This also meant that there was a positive agreement on expiration management and procurement performance.



#### 4.5.5 SUPPLIER PERFORMANCE

The study assessed the supplier performance while procurement of county services/goods in Kenya. The outcomes are shown in Table 4. 17 below;

**Table 4.17 Supplier performance**

<b>Supplier performance</b>	<b>Mean</b>	<b>Std. Deviation</b>
<b>Supplier performance promote mutual planning and problem solving efforts in the chain of supply</b>	4.2126	.85105
<b>Supplier performance results to reduction in lead time</b>	4.2205	.70049
<b>Supplier performance promotes collaboration among the employees working in procurement department</b>	4.1181	1.00486
<b>Supplier performance improve quality of products supplied</b>	4.2047	.86684
<b>Supplier performance aid the county in adopting cost effective measures in procuring products and services</b>	4.1496	1.02414

The findings revealed that supplier performance has promoted mutual planning and problem solving efforts in the chain of supply (mean=4.2126), that supplier performance have resulted to reduction in lead time (mean=4.2205), that supplier performance has promoted collaboration among the employees working in procurement department (4.1181), that supplier performance has improved the quality of products supplied (mean=4.2047) and that supplier performance aided the county in adopting cost effective measures in procuring products and services (mean=4.1496). All scores on the mean on responses ranged between 4 and 5 meaning that procurement performance was much influenced by the supplier performance.

#### 4.5.6 PAYMENT PROCESSING TIME

The study assessed the payment processing time in procurement in the county governments. The outcomes were depicted in Table 4.18

**Table 4.18 Payment processing time**

<b>Payment processing time</b>	<b>Mean</b>	<b>Std. Deviation</b>
<b>No delays in the processing of suppliers payments</b>	4.1417	.99781
<b>The county monitor and track its contractual payment obligations</b>	4.1360	.94480
<b>Minimum time taken between receiving supplier's invoice and making payment</b>	3.9370	1.08926
<b>Payments approved by similar people enabled to affirm welcome records, assessments and contract</b>	4.0079	.97993

The study revealed that there were no interruptions in processing payments to suppliers (mean=4.1417), the county monitor and track its contractual payment obligations (mean=4.1360) and that payments approved by similar people enabled to affirm welcome records, assessments and contract (mean=4.005), however other respondents moderately agreed on that the minimum time taken between receiving supplier's invoice and making payment (mean=3.9370). Again this implied that the payment processing time affected the procurement performance.

#### 4.5.7 STAFF TRAINING

Findings on staff training and its effects on efficiency of procurement performance, the outcomes are shown in Table 4.19

**Table 4.19 Staff training**

<b>Staff training</b>	<b>Mean</b>	<b>Std. Deviation</b>
An effective training program is available to enhance the skills of procurement	3.9055	1.05735
Those approving procurement transactions have procurement experience and qualifications	4.1969	.88227
Professional duties are prioritized before individual gains and interests	4.2047	.83892
Employees may not participate or give the suspicion of engaging in unethical or dishonest actions	4.2047	1.01057

Responses on staff training with regard to efficiency in procurement showed that those approving procurement transactions have procurement experience and qualifications (mean=4.1969), that responsibilities are prioritized before personal gain and interest (mean=4.2047), on that may not participate or give the suspicion of engaging in unethical or dishonest actions (mean=4.2047), however some respondents moderately agreed that an effective training program is available to enhance the skills of procurement.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Introduction

The study was conducted with the aim of establishing the impact of supplier development strategies on procurement performance in County governments of Kenya. Data collected were analyzed and presented in the previous chapter. This chapter therefore gives a summary of the findings, draws conclusions and makes recommendations for the study.

#### 5.2 Summary of the study findings

The study found out that the participants understood the supplier development strategies and therefore understood what was being asked on procurement development strategies in the study. This also confirmed that supplier development strategies were being utilized in the county governments of Kenya.

On supplier identification, the study the study indicated that all of the supplier identification indicators had a mean of between 4 and 5 an indication that supplier identification positively influences procurement performances in the county governments of Kenya. However a few were not sure (mean, 3.9528) the suppliers are able to supply what is needed in the county. From the results, the P-value for the Pearson Chi-Square test for relationship supplier identification and the procurement performance is 0.00 at 5% level of implication. Since the p-value ( $p=0.00$ ) is less than 0.05, therefore, statistically it shows significant relationship between the two.

On Supplier Evaluation, almost all the scores were rated between 4 and 5 therefore this meant that majority of the respondents agreed that supplier evaluation greatly influence procurement performance in the county. From the results in the P-value for the Pearson chi-square tests was

0.000. The p-value ( $p=0.000$ ) is a lesser amount than 0.05, therefore, showing a statistically noteworthy affiliation between supplier evaluation and procurement performance implying that supplier evaluation has a positive effect on procurement performance of processes in the selected county governments of Kenya.

On Supplier training, the findings indicated that majority of the participants agreed that supplier evaluation indeed affects positively the performance of procurement processes with the mean scores rated between 4 and 5. The study also found a significant relationship between supplier training and procurement performance ( $p=0.00$ ). Therefore implying that when there is a lot of supplier training in the county governments of Kenya, excellent procurement performance will be achieved

On supplier financial support, the study revealed that supplier financial support ensures service delivery and that it improves the quality of services procured. The study also indicated of a mean of between 4 and 5 implying that supplier financial support had a progressive influence on the performance of procurement processes. The study also found a significant relationship between supplier financial support  $p=0.000$  and procurement performance. This also implies that a lot of financial support to suppliers brings a worthwhile effect to the performance of procurement processes.

### **5.3 Conclusion**

The findings of the study found enough evidence to confirm and conclude that the county governments of Kenya embrace the use of supplier development strategies to influence the performance of their procurement processes. The findings from the inferential statistics firmly indicated that there was a noteworthy relationship among the supplier development strategies and procurement performance. These strategies have enabled the county governments to reduce

procurement costs, contract utilization, enhance price variance, termination management, supplier performance, payment processing time and the staff training in their offices.

#### **5.4 Recommendations**

From the findings, the study made the following recommendations;

With the overwhelming significance of supplier development strategies, County Governments in Kenya are encouraged to further embrace these strategies in order to benefit from them. It is also recommended that supplier in respective County Governments in Kenya should also embrace the concept with the ultimate goal of improving their serve delivery.

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## APPENDIX 1: QUESTIONNAIRE

I am a student at University of Nairobi pursuing a master of science in Business Administration in Procurement and Supply Chain. I am undertaking a research on “**Supplier Development strategies and Procurement performance of County Governments in Kenya**”. I kindly request you to participate in my study and your response to the questions in the questionnaire will be treated with utmost confidentiality, and will not be used for any other purpose except for this study.

### SECTION A: BACKGROUND INFORMATION

1. What is your gender?

Male

Female

2. What is your age bracket?

26-30 years

31-35 years

36-40 years

41-45 years

Over 46 years

3. What is your highest level of education?

Primary Level

Secondary Level

Technical Certificate

Diploma level

Degree level

Masters level

4. How long have you worked in the Procurement Office?

Less than 1 year

Between 2-5 years

Between 5-10 years

11 years and above

**SECTION B: RESEARCH SPECIFIC INFORMATION**

**Supplier development Strategies**

Please indicate the extent to which you agree with the following statements by using a scale of 1 to 5 where 1= Strongly Disagree, 2 = Disagree, 3 = No Idea, 4 = Agree, 5 = Strongly Agree. Tick (√) which option best describes your opinion with reference to the topic.

<b>Statements</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
I do understand the supplier development strategies					
In my opinion, supplier development strategies are important in procurement performance					
When buying, the county does supplier identification before issuing orders					
The management is keen on enhancing specific supplier Attributes					
The county trains key suppliers on best supplier practices					
The county helps suppliers in the evaluation process before procurement					
The county extends financial support to suppliers to enhance their delivery capacity					

**Supplier Identification**

**Key SA- Strongly Agree-5, A- Agree-4 , U – Undecided-3, D – Disagree-2, SD – Strongly Disagree-1**

Kindly rate the following statements with regard to the effect of supplier identification on procurement performance of County Government

<b>Statements</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The county have been able to source from suppliers who able to provide high standard products					
The suppliers are able to supply what is needed in the county					
Supplier identification have increased administrative efficiencies					
Through supplier identification the procurement speed has been heightened					
Procurement costs have been reduced					

Any other?

Specify.....

.....

## Supplier evaluation

**Key SA- Strongly Agree-5, A- Agree-4 , U – Undecided-3, D – Disagree-2, SD – Strongly Disagree-1**

Kindly rate the following statements to the extent to which you agree with regard to the effects of supplier evaluation on procurement performance by the County Government

Statements	1	2	3	4	5
Reduces delays in procuring of goods for the county					
Improves quality of services procured to the county					
Ensures steady supply to the county hence improved services to the public					
Ensures price control for the county products/services					

**Supplier training**

**Key SA- Strongly Agree-5, A- Agree-4 , U – Undecided-3, D – Disagree-2, SD – Strongly Disagree-1**

Kindly rate the following statements to the extent to which you agree on the effect of supplier training on procurement performance by the County Government

Statements	1	2	3	4	5
Conducting training programs for key suppliers has reduced our product cost					
Our product quality have improved through supplier training hence procurement performance improved					
Conducting training programs for key suppliers has improved our operational flexibility hence better delivery to our citizens					
Conducting training programs for key suppliers has improved on our speed to deliver to our citizens					

Any other? Specify  
 .....  
 .....  
 .....

**Supplier financial Support**

Kindly rate the following statements to the extent to which you agree on the effect of financial support on procurement performance of the County Government on a scale of 1-5. Rate where 1= no extent 2= little extent, 3= Moderately extent, 4 = great extent, 5= very great extent.

Statements	1	2	3	4	5
Ensures service delivery to our citizens					
Improves quality of services procured					
Giving financial support to key suppliers has reduced our product cost hence better service delivery					
Ensure sufficient and availability of materials					

Any other? Specify

.....

.....

.....

**Procurement Performance**

1. Please rate the level of procurement performance in terms of the following indicators using the rating provided

**Procurement Cost**

To what extent do you agree with the following statement concerning procurement cost affecting efficiency in procurement performance? (1=Strongly Disagree, 2=Disagree, 3=Moderately Agree, 4=Agree and 5=Strongly Agree).

<b>Procurement Cost</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Moderately Agree</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
Reduction in cost operations					
The procurement department’s response to request for quotation					
The department lowers information search cost for suppliers					
The county streamlining procurement processes and build confidence of employees					

**Price Variance**

To what extent do you agree with the following statement concerning price variance affecting efficiency in procurement performance? (1=Strongly Disagree, 2=Disagree, 3=Moderately Agree, 4=Agree and 5=Strongly Agree).

<b>Price Variance</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Moderately Agree</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
Prices paid for products and services are in alignment with national prices					
Purchasing ethics ensure compliance with all relevant guidelines					
E-procurement is best suited when ordering products					
Well established goods receiving procedure					
Regular reviews or audits of procurement					



processes can be done to ensure probity is being considered and achieved					
--------------------------------------------------------------------------	--	--	--	--	--

**Lead Time** (Time taken between the placement of an order and delivery)

Please respond based on your understanding and experience to what extent lead- time affect procurement performance on a scale of 1-5. Rate where 1= no extent 2= little extent, 3= Moderately extent, 4 = great extent, 5= very great extent.

<b>Lead Time</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Corruption/ political interference					
Lack of supplier development					
Public procurement procedures					
Poor supplier selection					
Poor presentation of documents					
Cancellation of tenders					

**Contract Utilization**

To what extent do you agree with the following statement concerning contract utilization affecting efficiency in procurement performance? (1=Strongly Disagree, 2=Disagree, 3=Moderately Agree, 4=Agree and 5=Strongly Agree).

<b>Contract Utilization</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Moderately Agree</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
Efficient procurement mechanisms are being used					
Those involved with procurement required to declare any potential conflict of interest and remove themselves from the procurement process					
Advertisement of an invitation for bids, pre-qualification or call for expressions of interest are properly followed in the procurement process					
Officials conducting procurement need to be able to demonstrate that their decisions are fair and equitable, and made in accordance with the law, agency rules and guidelines, and conditions of contract					

### Expiration Management

To what extent do you agree with the following statement concerning expiration management affecting efficiency in procurement performance? (1=Strongly Disagree, 2=Disagree, 3=Moderately Agree, 4=Agree and 5=Strongly Agree).

<b>Expiration Management</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Moderately Agree</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
Good supply chain practices are being used					
The supplier ensures timely supply of good quality products					
Inventory and demand management practices are implemented					
The procurement officers in the county make informed decision due to failure to follow procurement regulations					
Purchasing ethics ensure compliance with all relevant guidelines					
Professionalism in procurement improve the quality of products supplied					

## Supplier Performance

To what extent do you agree with the following statement on supplier performance affecting the efficiency of procurement performance in the county? (1=Strongly Disagree, 2=Disagree, 3=Moderately Agree, 4=Agree and 5=Strongly Agree)

<b>Supplier Performance</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Moderately Agree</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
Supplier performance promote mutual planning and problem solving efforts in the chain of supply					
Supplier performance results to reduction in lead time					
Supplier performance promotes collaboration among the employees working in procurement department					
Supplier performance improve quality of products supplied					
Supplier performance aid the county in adopting cost effective measures in procuring products and services					

**Payment Processing Time**

To what extent do you agree with the following statement concerning payment processing time affecting efficiency in procurement performance? (1=Strongly Disagree, 2=Disagree, 3=Moderately Agree, 4=Agree and 5=Strongly Agree).

<b>Payment Processing Time</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Moderately Agree</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
There are no delays in processing payments to suppliers					
The county monitor and track its contractual payment obligations					
Minimum time taken between receiving supplier's invoice and making payment					
Payments authorized by the same individuals empowered to approve invitation documents, evaluations and contracts					

**Staff Training**

To what extent do you agree with the following statement concerning staff training affecting efficiency in procurement performance? (1=Strongly Disagree, 2=Disagree, 3=Moderately Agree, 4=Agree and 5=Strongly Agree).

<b>Staff Training</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Moderately Agree</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
An effective training program is in place to improve procurement staff skills					
Those approving procurement transactions have procurement experience and qualifications					
Professional and job-related responsibilities are placed before personal gain and individual interest					
Employees may neither engage in, nor give the appearance of engaging in, dishonest or unethical actions					