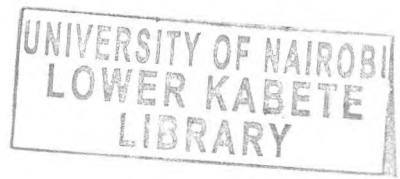


**FACTORS INFLUENCING THE USE OF DIRECT PROCUREMENT
OF COMMON USER ITEMS BY GOVERNMENT MINISTRIES FROM
SUPPLIES BRANCH**

BY

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT
OF THE REQUIREMENT FOR DEGREE OF MASTER OF BUSINESS
ADMINISTRATION (MBA), SCHOOL OF BUSINESS,**

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DECLARATION

This research project is my original work and has not been presented for a degree in any other university.

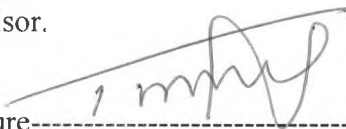
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This research project has been submitted for the examination with my approval as university supervisor.

Signature-----

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My sincere gratitude goes to the Almighty God for being my anchor in all my undertaking including this project. It was with God's guidance and blessing throughout my study that this project was realized.

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To Michaelena Kaburu, thank you for your understanding and providing time off whenever I needed time to attend to the requirements of this study. Irene, Gitonga, Kiage and all procurement personnel at the Ministry of Energy, thank you for your continuous encouragement and support.

To my wife Maria, and my sons Jack, Junior, James and Donald, thank you for your patience and understanding that I needed to do this for us. To my brother Zacheous Okonji and sisters Florence, Alice and Maricha, you have been a source of inspiration for me.

DEDICATION

This study is dedicated to the love of my life and my sons, Jack, Junior, James and Donald.

To my parents Mama Jeritah Aluso and Papa Joseck Okonji for allowing me to grow.

ABSTRACT

Government ministries procure wide variety of goods and services using various methods of procurement stipulated in the Public Procurement and Disposal Act, 2005 (PPADA) in order to serve the public in various capacities. Among the goods and services procured by the government ministries are Common User Items (CUI) which include furniture, stationery and cleaning materials among others and are used in most if not all the government ministries.

Supplies Branch is a government entity mandated to coordinate the procurement of CUI by government ministries. To fulfill its mandate Supplies Branch procures CUI in bulk and in turn sale them to government ministries upon request and payment for the required CUI by government ministries. The government ministries have continued to procure CUI from the open market which is evidenced in many advertisements for prequalification of suppliers in the print media. This study was interested in establishing factors influencing the use of direct procurement of CUI from Supplies Branch by government ministries and challenges that government ministries face when procuring CUI from Supplies Branch.

This was descriptive census design and therefore all the 42 government ministries were considered in the study. Both primary and secondary data were used where primary data was collected from procurement personnel from all the government ministries by use of questionnaire. The data was analyzed using simple descriptive statistics of frequencies and percentages.

The study revealed that various factors influence use of direct procurement of CUI from Supplies Branch. Lower prices offered by Supplies Branch on CUI contributed positively to the use of direct procurement of CUI. Despite the lower prices offered by Supplies Branch,

government ministries have been procuring more CUI from the open market due to a number of factors including poor quality, longer lead times, unreliability resulting from stock outs, lack of delivery services and government policy.

The study also revealed challenges facing the government ministries while using direct procurement of CUI. These challenges were common across all ministries and they included lack of transport services to enable ease collection of procured CUI from Supplies Branch. This challenge is worsened by another one emanating from frequent stock outs and inconsistent lead times. The requirement of paying upfront before the CUI procured from Supplies Branch are issued was another challenge that lengthens already longer lead times. Lack of clear government policy on the use of direct procurement of CUI was another challenge the study revealed that government ministries were facing.

Due to time and financial constraints this study considered ministry headquarters and did not give a chance of respondents from ministry who work outside Nairobi and source their CUI from Supplies Branch depots situated in each of the seven former provinces apart from Nairobi. Out of the 84 respondents targeted, 81 were available and responded while three did not.

This study has suggested further research including investigation into whether there is value for money to government ministries when procuring directly from Supplies Branch and also investigation into the capacity of Supplies Branch to handle and coordinate procurement of all CUI by government ministries.

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ABBREVIATIONS

IPR	-	Independent Procurement Review
PPDA	-	Public Procurement and Disposal Act
PPDR	-	Public Procurement and Disposal Regulation
PPD	-	Public Procurement Directorate
PPCRAD	-	Public Procurement Complaints, Review Appeals Board
PPOA	-	Public Procurement Oversight authority
PPAB	-	Public Procurement Advisory Board
PPARB	-	Public Procurement Administrative Review Board
RFQ	-	Request for Quotation
OEP	-	Operational Efficiency Programme
IFPSM	-	International Federation of Purchasing & Supply Management
IT	-	Information Technology
WIP	-	Work In Progress
PPA	-	Public Procurement Authority
PPRA	-	Public Procurement Regulatory Authority
CUI	-	Common User Items
NACSAP	-	National Anti-corruption Strategy and Action Plan
SB	-	Supplies Branch

CHAPTER ONE: INTRODUCTION

1.1 Background

Government ministries procure a wide range of goods, works and services from various sources using various procurement methods in order to facilitate service to the public. Some of the goods procured by government ministries are commonly used across the ministries and are therefore referred to as Common User Items (CUI). Procurement of CUI by government ministries is important for smooth running of day to day operations of the government ministries.

Government ministries are public entities and thus all their procurement are governed by the Public Procurement and Disposal Act, 2005 for the Kenyan case (Public Procurement and Disposal Act, 2005). In Uganda public procurement is governed by Public Procurement and Disposal of Public Assets Act (Public Procurement and Disposal of Public Assets Act, 2003) while in Tanzania public procurement is governed by the Public Procurement Act No. 21 of 2004, (Public Procurement Act, 2004).

In Uganda, the Public Procurement and Disposal of Public Assets Authority is mandated under section 7 (n) of the PPDA Act to agree on a list, which shall be reviewed annually of supplies in common use by more than one procuring and disposing entity which may be subject to common procurement or disposal, (Public Procurement and Disposal of Public Assets Act, 2003).

In Ghana, the Public Procurement Authority (PPA) is required by section 3(p) of the Public Procurement Act, (2003) to maintain a database of Suppliers, contractors, consultants and a record of prices to assist in the work of procurement entities. To fulfill

this mandate the PPA collated a list of items procured by entities which is known as common user items which is published with average prices to guide the procuring entities, ([http://www.ppbghana.org/common items](http://www.ppbghana.org/common%20items)).

In Kenya there is an established organization under the Ministry of Public works called Supplies Branch which is mandated to coordinate the procurement of all CUI on behalf of Government ministries according to Presidential Circular No.1/2008 of Organization of the Republic of Kenya of May 2008. Supplies Branch was established in 1960 prior to Kenya's independence. It has the responsibility of procuring all CUI. The rationale for centralized procurement is the gains achieved through price savings resulting from economies of scale, (Independent Procurement Review, 2005).

1.1.1 Direct Procurement

Direct procurement is a method of procurement where goods, works or services are acquired from a supplier without subjecting the supplier to any form of competition. Open competitive processes for example, inviting quotes, tenders, or proposals from more than one supplier will not be applicable for all procurement by public entity. In some instances, a public entity may procure directly from a supplier. In deciding to take this approach, a public entity considers the value and risk of the purchase as well as the outcome that it intends from the procurement, ([http://www.ppbghana.org/common items](http://www.ppbghana.org/common%20items)). The Public Procurement and Disposal Act, 2005 allow use of direct procurement as long as the purpose is not to avoid competition and that the conditions set therein are adhered to.

The government ministries have, however, in the recent past continued to procure the CUI from the open market as witnessed by advertisements for prequalification of

suppliers of CUI placed in the daily newspapers by government ministries for example the advertisements by Ministry of fisheries development, Ministry of state for provincial administration and internal security, Ministry of state for public service in the Daily Nation newspaper of Thursday 9th June, 2011 inviting firms to prequalify for supply of various goods and services among them CUI, instead of procuring the CUI directly from the government owned Supplies Branch and save on time and administrative costs associated with the prequalification exercise and subsequent tendering process before acquiring the CUI from the open market.

1.1.2 Procurement of CUI in Government Ministries

Procurement is defined in the Public Procurement and Disposal Act, 2005 as the acquisition by purchase, rental lease, hire purchase, license, tenancy, franchise, assets, services or goods including livestock or any combination. The Public Procurement Regulatory Authority (2009) defines Public procurement as a process involving buying, purchasing, renting, leasing or otherwise acquiring any goods or works or services by a procuring entity spending public funds and includes all functions that pertain to the obtaining of any goods or works or services including description of requirements, selection and invitation of tenderers and preparation and award of contracts.

Public Procurement in Kenya has evolved from a crude system without regulations and or legal framework to an orderly legally regulated procurement system. In the early 1970's, public procurement was largely undertaken by external entities such as the crown agents. This was primarily because most of the needs of the then colonial government and the incoming new governments could only be met from external sources, as local supplies were still not adequate (Odhiambo and Kamau, 2003).

Just like any other government, the government of the Republic of Kenya is organized in various ministries each with well defined roles and responsibilities for effective and efficient delivery of goods and services to citizens. Kenya has a total of 42 ministries according to the Presidential circular No.1/2008 which outlines the organization of the government of the Republic of Kenya. The Kenyan citizens are served by the government through these ministries by way of implementing various programs and therefore timely and effective provision of CUI to government ministries to facilitate smooth running of the public offices and service delivery to the public is important.

The correct price that public entities should pay particularly for CUI has been canvassed for a longtime and whereas it has been unanimously agreed that price results from the market forces of demand and supply, baseline survey by PPOA on procurement of CUI has revealed that public lost substantial amounts of funds in the past due to overpricing. This has largely been occasioned by collusive practices and corruption by persons involved in the procurement process. Section 30(3) of the Public Procurement and Disposal Act, 2005 provides that procurement of standard goods, services and works with known market prices shall be procured at the prevailing market price. To strengthen that requirement, Section 30(4) of the aforesaid Act, outlaws all transactions by public officials in which standard goods, works and services are procured at unreasonably inflated prices. Public officials who contravene the aforementioned provisions are required under the Act to inter alia pay for the loss resulting from their actions, (<http://www.ppoa.go.ke>).

In Tanzania the need for coordination of procurement of CUI was realized and the Government procurement services agency (GPSA) was established under the Executive

Agency Act No. 30 of 1997. The Agency procures, stores, distributes quality supplies of CUI through its central office in Dar es Salam to twenty one regional offices throughout the country, (www.gpsa.go.tz).

1.2 Statement of the Problem

The PPDA does not make any reference to procurement of CUI from Supplies Branch and hence leaving it open to the respective Procuring entities, government ministries in this case to decide whether to go to the open market or to procure direct from Supplies Branch. The omission of guidelines on procurement of CUI by Public entities from Supplies Branch in the PPDA, 2005 has led to various different interpretation and reference to Supplies Branch by government ministries where some ministries procure some CUI directly from Supplies Branch while others source from open market. With retail price of photocopying paper varying by 100% in the market place there exist opportunity for quantity purchase savings. Substantial savings through improved procurement are possible and that the potential benefits to Kenya for an improved procurement system for CUI are enormous, (IPR, 2005).

Supplies Branch procures CUI in bulk and in turn sells them to the government ministries. Government ministries are therefore expected to place orders directly to Supplies Branch for the CUI that they require as and when they need them. This is expected to save the government ministries time, money and administrative costs for sourcing elsewhere in addition to lower prices offered by Supplies Branch resulting from central bulk procurement. McKenzie (2009) reported that the British government was considering plans to channel more of its goods and services spend through a central purchasing service, in response to findings of the Operational Efficiency Programme

(OEP). The United Kingdom government saved 360 million sterling pounds through centralized procurement of common goods and services such as stationary.

The Kenyan government ministries have however, continued to procure these CUI from the open market through Request For Quotation (RFQ) and place advertisements for prequalification of suppliers of CUI, an example being the Ministry of Energy prequalification of suppliers advertisement appearing in the Daily Nation newspaper of 26th May, 2011. The IPR reported a lot of challenges facing Supplies Branch among them obsolete stock and complaints of lack of stock by ministries who source for CUI from Supplies Branch and lack of professional capacity. However, there had been no study conducted to investigate what makes the government ministries in Kenya opt for procurement of CUI from the open market rather than procure the same directly from Supplies Branch. This is the gap in knowledge of procurement of CUI by government ministries that this study wanted to fill. What factors influenced the use of direct procurement of CUI from Supplies Branch by government ministries? And what challenges government ministries faced while procuring CUI directly from Supplies Branch?

1.3 Objectives of the Study

The following were the objectives of the study:

- i. To establish factors that influenced direct procurement of CUI by government ministries from Supplies Branch.
- ii. To establish challenges that face government ministries when procuring CUI directly from Supplies Branch.

1.4 Value of the Study

Public procurement is important to all governments since it's through public procurement that the public is served through implementation of various programs. This study is important to the Supplies Branch management team in establishing and addressing issues that affect the coordination of procurement of CUI which are important in facilitating the day to day running of the public offices. This study would give the Supplies Branch personnel an insight into the factors that affect demand of CUI by government ministries and thus offer them the opportunity to address the challenges effectively in order to deliver on the mandate of coordinating the procurement of common user items by government ministries. The government will benefit from this study by having improved coordination of supply of CUI and thus the resultant savings and improved service delivery. The Students will find this study helpful in exploring other areas of study and related subjects as well.

CHAPTER TWO: LITERATURE REVIEW

2.1 Overview

Direct procurement of CUI from Supplies Branch by government ministries would save the ministries both of time and money on issues such as administrative costs and longer time taken to prequalify suppliers and tendering process itself other than the benefit of economies of scale to the entire government through bulk purchase and consolidation of buying power by Supplies Branch before selling to the ministries. This, however, can only be possible if Supplies Branch will be able to serve the ministries well and meet all their needs within the required time frame.

The government of United Kingdom was considering buying flu vaccine centrally to save money and more effectively manage supply and demand. The health minister was quoted saying “Central procurement does provide a cost-effective arrangement and can take account of the variations in supply and demand. It also gives us the ability to track where the batches of vaccine have gone.” This was in response to a question in the House of Lords. Albert, A. (January 21st, 2011). In her article titled office supplies deal to save Whitewall eighteen million pounds a year of 6th August 2011, Angeline reported the UK government had awarded two central purchasing deals that are expected to save it 18 million pounds a year on office supplies.

Leach in his article titled Procurement drives government’s 3.75 billion starling pounds savings of 3rd August 2011 indicated that through a combination of cutting services, renegotiating contracts and consolidating buying power to drive down costs, the cabinet office of the UK was able to reduce the amount it spent between May 2010 and March

2011 by 3.75 billion sterling pounds. The Scottish government's efficiency outturn report for 2009-10, reported £312 million of efficiency savings through better procurement – almost double that reported in 2008-09, (Albert, November 9th, 2010).

In Kenya the IPR report of 2005 describes centralized procurement at Supplies Branch as inefficient and a failure. Supplies Branch has not been able to perform its role of coordination of procurement of CUI by centrally procuring them and supplying to the ministries as and when they need them leading to the ministries sourcing for CUI from the open market.

2.2 Common User Items

Government ministries procure CUI which are essential in the operations of public officers serving in various ministries. These CUI are common across ministries and hence all ministries procure them using various methods provided for in the PPDA. There are approximately 200 different CUI listed in the catalogue that governs what items are to be purchased centrally by Supplies Branch in bulk under the rationale that better prices can be achieved in this way. The CUI include items such as office stationary, office furniture, cleaning materials, tyres, tubes photocopying machines and motor vehicles among other items. Government ministries are therefore expected to procure CUI directly from Supplies Branch and thus take advantage of better prices resulting from central procurement in bulk by Supplies Branch, (Independent Procurement Review, 2005).

In 2007, immediately after operationalization of the Public Procurement and Disposal Act, 2005, the Public Procurement Oversight Authority (PPOA) in conjunction with the Kenya National Bureau of Statistics conducted a baseline survey on procurement of CUI by public entities and found that procuring entities were procuring most items at about

60% above the prevailing market prices. These findings reveal how the public entities that include government ministries lose money through procurement of CUI. The CUI are the most frequently procured items in government ministries and their budget is on recurrent vote of the government expenditure. Among the weaknesses noted in the study was the excessive use of Request for Quotation (RFQ) as a method of procurement and below average use of open tendering method, (Kenya Procurement journal, September 2010). The survey considered 11,046 procurement transactions by the sampled entities and the results are shown in table 2.1.

According to the Public Procurement and Disposal Act, 2005 The Request for Quotation method is used if the procurement is for goods that are readily available and for which there is established market; and the estimated value of the goods being procured is less than or equal to the prescribed maximum value. Government ministries are classified under class A of the first schedule of the Public Procurement and Disposal regulation,2006 and the maximum value for RFQ is Kshs1,000,000 for goods and services and Kshs2,000,000 for works. Most of the CUI fall under this category and therefore the high frequency use of Request for Quotation implies that there is frequent procurement of CUI since their low value allow for use of Request for Quotation method.

Table 2.1 Percentage of Procurement Method Used

Procurement method	Percentage of Frequency of transactions
Open tender	1.3%
Request for Proposals	0.1%
Restricted tender	2.2%
Request for Quotation	89.2%
Direct	3.3%
Low value	3.9%

Juma, M. (2010) State of Public Procurement in Kenya-2010, Kenya procurement journal, pp1, 4-5.

It's worth noting that from the above findings, the total percentage of low value procurement and RFQ methods is 93.1% meaning most of the time of procurement staff is spent on the two procurement methods which if well addressed say by use of direct procurement of CUI from Supplies Branch should yield enough time for the procurement staff to engage in strategic procurement activities that would help improve the performance of procurement departments and overall improvement of their organizations performance. The study by PPOA also established the procurement spend percentages by various procurement methods in the public entities. Table 2.2 shows the results of the percentage value of procurement method.

23.6% of the total spend of public procurement is done through RFQ. The CUI comprise a large percentage of this spend since most of the CUI if not all in the public procurement are procured through RFQ method. There is need to find a better solution for the procurement of CUI in the public entities that would ensure that there is value for money and that the procurement officers do not spend most of their time on clerical jobs of “chasing quotations” (Kenya Procurement journal, September 2010)

Table 2.2 Percentage Spends of Procurement Method Used

Procurement method	Procurement spend
Open tender	37.8%
Request for Proposals	0.5%
Restricted tender	35.7%
Request for Quotation	23.6%
Direct	2.4%

Juma, M. (2010) State of Public Procurement in Kenya-2010, Kenya procurement journal, pp1, 4-5

2.3 Supplies Branch Mandate

Scotland has proved there is no need for a mandate to enforce centralized buying, for the last four years, Scotland has achieved centralized buying without such a mandate and from April 2006 to April 2010, procurement saved more than £800 million. Scotland’s achievements stemmed from a pivotal review of public procurement by John McClelland

in 2006, a former global chief industrial officer at Philips Consumer Electronics. McClelland's report highlighted weaknesses in buying relating to resources, skills, structure and practices and said public sector organizations should boost procurement's importance. Adoption of McClelland's recommendations led to major public sector purchasing reform. A vital component of Scotland's buying reform was the report's recommendation that centers of procurement expertise be introduced. These cover: health; local authorities; higher and further education; Scottish Government departments, agencies and non-departmental public bodies; and Procurement Scotland (responsible for procurement strategies for national commodities for Scottish public bodies). Alastair Merrill, director of the Scottish Procurement Directorate, told SM: "It's not a case of enforcing solutions. It's not government doing it to the country. It's the public sector organizations working together, (Albert, 2010).

The government ministries and Supplies Branch therefore need to work together and share the challenges they are facing in procurement of CUI in order to come up with workable solutions despite the Act's failure to address the issue of coordination of procurement of CUI by Supplies Branch.

2.4 Sourcing Factors

In general there are a number of factors considered when sourcing of goods and services CUI included. Among the factors considered according to Lysons & Gillingham (2003) are: whether the item is unique to the buyer or in general use, whether it's for the first time the item is being bought, if the items have been procured before, from what source were they obtained?, whether the current supplier is satisfactory in terms of price, quality and delivery, whether the cost of searching for another supplier is justified given the

value of the order, what internal customers may wish to be consulted on sourcing of the items?, within what time scale is the item required?, whether the item is a one off or continuing requirement? And in what category do the items fall?

Lysons & Gillingham, (2003) identifies strategic considerations when sourcing for items as follows: what supply source that will offer the most competitive advantage in terms of price, security of delivery and reliability of delivery, quality, differentiation of the product and added value through specialization, production facilities, packaging, and transportation and after sales service. Another consideration whether the source is one with whom we would like to single source, share a proportion of our requirements for the required item, build up long term partnership relationships and discuss the possibilities of supplier development or subcontract.

The other strategic consideration is whether it is desirable that at least part of our requirements should be sourced locally for political, social responsibility or logistical reasons? All the various factors for choice of source of goods and services mentioned by Lysons & Gillingham (2003) are relevant to this study and include considerations of price, quality, time taken before delivery is made, transportation and after sale service, and the security and reliability of supply issues

2.5 Quality Issues

In industrial and institutional purchasing, quality has an entirely different meaning. Here quality is related to suitability and cost (not price because price is only one element of cost), rather than to intrinsic excellence. The best quality is that which can be purchased at the lowest cost to fulfill the need or satisfy the intended function for which the material is being purchased. Dobler and Burt, (1996). ISO 8402 defines quality as the totality of

features and characteristics of a product that bears on the ability to satisfy stated or implied needs. Quality can also be defined as fitness for purpose meaning that the item under consideration is able to perform the tasks that is meant to perform without difficulties.

According to Lysons & Gillingham, (2003) some of the ways in which to achieve quality include reducing waste and non value adding activities such as handling of excess inventory, increasing customer service responsiveness by reducing lead time for example improving supply chain communication especially with regard to forecasting and coordinating better the efforts of all component links in the supply chain.

The IPR report of 2005 revealed that Supplies Branch was characterized by delays in procurement of CUI and the warehouses were full of obsolete stock indicating lack of procurement planning and or poor forecasting techniques leading to excessive unwanted stocks and stock outs of the wanted stocks or could it be because of reduced direct procurement of CUI by government ministries from Supplies Branch.

Specifications and quality of products go hand in hand. If specifications are got right and the right source is identified then chances of having the right item delivered are very high. Lysons & Gillingham, (2003) notes that procurement personnel should be knowledgeable about specifications so as to be able to secure value for money for their employers and play their role of intermediaries between the user and the supplier. Involvement of the users in drawing of the specifications is key to satisfactory quality and customer satisfaction. Does Supplies Branch involve government ministries in coming up with the specifications of common user items?

Dobler and Burt, (1996) states that purchase descriptions directly affect the quality and performance of the item purchased and the price paid. This shows how important the purchase descriptions are in attaining the right quality of goods and services. Samples are the lazy person's method of describing requirements and should only be used if other methods of descriptions are not feasible. It is difficult to determine by inspection that the product delivered is in fact, the same as the sample. Quality of materials and quality of workmanship are generally exceedingly difficult to determine from routine inspection. Therefore, in many cases, acceptance or rejection becomes a matter of subjective judgment, Dobler and Burt (1996).

Procurement personnel and users of common user items ought to be careful and vigilant when drawing specification of the items so that they would use them to compare what is actually supplied with the requirements of purpose, quality and performance while inspecting the items supplied so that supply of substandard items are avoided and government ministries are encouraged to procure from Supplies Branch. Government ministries as the main customers of Supplies Branch will only be attracted to procure directly from Supplies Branch and place orders if the CUI at Supplies Branch are of the right quality and meet their specifications and performance requirements. Use of samples as method of describing requirements should be avoided and used only when its not possible to use other methods of descriptions.

2.6 Availability of Stock

Reliability of supply is a very key component for any organization whether private or public. While in public sector reliability of supply enables the government to serve the public better the private sector need to be assured of the reliability of the supplies for

continuity and survival of their business otherwise they would go down due to the inability to serve their customers on time. Supplies Branch need to assure government ministries CUI will be availed without fail and that the stock is available throughout in order to attract demand from them.

Lysons & Gillingham (2003) defines inventory as the value or quantity of raw materials, components, assemblies, consumables, Work in Progress (WIP) and finished stock that are kept or stored for use as the need arises. Inventory needs to be managed because there are costs associated with it and it is important for the smooth running of any organization. The main aims of inventory management are among other things according to Lysons & Gillingham (2003) to provide both internal and external customers with the required service levels in terms of quantity order rate full, ascertain present and future requirements for all types of inventory to avoid both overstocking and bottlenecks in production and to keep costs to a minimum by variety reduction, economical lot sizes and analysis of costs incurred in obtaining and carrying inventories.

According to Lysons & Gillingham (2003) the economies of stock control are determined by analyzing the cost incurred in obtaining and carrying inventories under the headings of acquisition costs, holding costs and costs of stock outs. Acquisition costs of stock include costs incurred in preliminary costs such as preparation of requisition, vendor selection and negotiation. Costs associated with placement of order such as order preparation, stationery and postage. Finally, acquisition costs include post placement costs for example progressing, receipt of goods, material handling, inspection, certification and payment as well. Holding costs can be categorized broadly into two main categories; cost proportional to the value of the inventory and this include financial costs such as interest

on capital tied up in inventory, cost of insurance and losses in value through deterioration, obsolescence and pilfering. The second category is cost proportional to the physical characteristics of inventory which include storage costs, labor costs related to handling and inspection and clerical costs relating to stores records and documentation. Lysons & Gillingham, (2003) IPR report reveals that there is a lot of dead stock at Supplies Branch taking a lot of space other than loss of value and risk of pilferage, partly because government ministries are procuring CUI from other sources.

Stock out costs are costs associated with being out of inventory and they include loss of production output in case of manufacturing firms, costs of idle time and of fixed overheads spread over a reduced output, costs associated with time taken to deal with the stock outs which include buying from elsewhere at an increased price, switching production, obtaining substitute materials. The greatest loss of stock outs is the loss of customers' goodwill because of inability to supply or late delivery. Supplies Branch should therefore be in a position to make stock available to government ministries at all time to be able to continuously attract demand for the CUI from them. To be able to cultivate goodwill from government ministries Supplies Branch reliability in the supply of CUI shouldn't be questionable.

2.7 Lead Time

The achievement of delivery on time is a standard purchasing objective. If goods and materials arrive late or work is not completed at the right time, sales may be lost by dissatisfied customers, Baily, Farmer, Jessop and Jones (2005). Lead time is the period taken to obtain a requirement from the time the need is ascertained to its fulfillment. According to Lysons & Gillingham (2003) lead time comprises the following operations:

preparation of requisition, forwarding the requisition to purchasing, processing by purchasing from enquiry to preparation of the order, transmission of the order to the supplier, execution of the order to supplier, transportation of the order, receipt, inspection and storage and lastly issue to production or sales.

Lysons & Gillingham (2003) argue that consistency of lead time is more important than its actual length. This implies that the main important thing here is the reliability of supply hence the insistence on consistency. Lead time may be short but very inconsistent and this would be disastrous if the item required is crucial for the operation to run smoothly. It is important to forecast demand so that one is able to analyze from records of usage or what the trend of demand has been for a given item of stock over an approximate period of time with a view of forecasting future demand. Demand forecasting is helpful in reducing lead time since the demand is known and plans are put in place to ensure the availability of stock.

Supplies Branch is expected to forecast demand for CUI by all government ministries by consolidating all their approved annual procurement plans and provisions in the printed estimates for their respective budgets so that adequate measures are taken to ensure that the supply is not disrupted or there are no stock outs and lead time is not made any longer. Longer Lead time cannot be blamed on suppliers alone but on both suppliers and buyers as well because the buyer is able to control and hasten the preparation and processing of requisition and placing of the order which can be improved by efficient clerical and or computerized procedures. Vendor appraisal and efficient method of transport can assist in reduction of lead time, (IPR,2005).

2.8 Price and Value for Money

Lysons & Gillingham (2003) define price as the value of a commodity or service measured in terms of standard monetary unit. In comparing two quotations, price enables us to appraise the relative value offered by each supplier. Different suppliers offer different prices and different times may also see adjustments made on prices of items. Price variation and adjustments result from various reasons which include quantity considerations, payment terms, quality considerations and transport of order.

There is widely held belief that government and public sector procurement decision making is based upon the lowest price. This is not the case. Purchasing decisions must be made on the basis of best value for money. This requires a consideration of many factors including status and standing of suppliers, financial aspects including payment terms, basis of contractual price and transport and operating costs. Quantity considerations where quantity discounts are often given as an incentive to the buyer to give the vendor a large share of the available business. Due to high quantities procured the vendor may also pass on to the buyer a proportion of savings accruing from reduction in production, selling, transport and administrative costs, (Bailey, Farmer, Jessop and Jones, 2005). Supplies Branch buys in bulk and should be in a position to enjoy discounts and savings passed on to them by their suppliers hence offer lower prices for CUI to their customers including government ministries. The lower prices should encourage government ministries to procure from Supplies Branch.

According to Lysons & Gillingham (2003), Current public procurement policy contains a commitment to procurement based on competition to secure best whole life value, the use of partnerships to encourage innovation and continuous improvement. Value for money is

the optimum combination of whole life value cost and quality necessary to meet the customers' requirement. John Ruskin as quoted by Lysons & Gillingham (2003), said "there is hardly anything in the world that some men can't make a little worse and sell a little cheaper, and the people who consider price only are this man's lawful prey". Price consideration only while procuring may lead to one ending up with sub standard or poor quality goods. Techniques used to obtain the best value for money include consolidation of demand that is aggregating several orders to negotiate reduced prices and or increased discounts, negotiating contracts and prices centrally, encouraging standardization and elimination or reduction of inventory thereby avoiding unnecessary storage and holding costs. All these techniques if well employed by Supplies Branch will yield to value for money for public procurement of CUI.

2.9 Challenges Facing Government Ministries in Procurement of CUI

According to procurement article on report of the Public Procurement Regulatory Authority on the Implementation of the NACSAP appearing in Tanzania procurement journal June 21, 2011 Corruption in public procurement has enormous negative consequences. Public funds are diverted into unnecessary, unsuitable, or uneconomical procurements. The expenditure involved in public procurement estimated at 50% of the budget and the high degree of discretion accorded to public officials in managing the procurement processes contribute to its susceptibility to corruption.

The PPDA, 2005 does not give clear direction on procurement of CUI but only insists that they must be procured at prevailing market rates leaving the public officials with the discretion to procure CUI either from the open market or directly from Supplies Branch.

This leaves an opportunity for the corrupt officials to award the supply of CUI to their preferred suppliers who could turn out to be their own relatives.

Supplies Branch is reported by IPR of May 2005 to be having obsolete items in the warehouse. The report further reveals that the CUI requested for by government ministries more often than not are not available in the store leading to unnecessary delays in the supply of CUI. This scenario leaves us with questions on whether its lack of tools to match demand and supply or failure to consider the importance of demand forecasting and carrying out procurement planning at all by Supplies Branch.

Baily, Farmer, Jessop and Jones (2005) noted that companies that can react promptly and accurately to the needs of their customers are, obviously, more likely to attract orders than those that cannot. This implies that Supplies Branch ought to be reliable and supply common user items to government ministries without any delays and for this to happen there should be proper inventory management. Supplies Branch does not offer transport services of the procured CUI to government ministries and hence ministries need to make their own arrangement to collect their supplies at the Supplies Branch warehouse. The role of Supplies Branch mainly is the execution of order in the operations leading to the lead time. The execution of the order will depend on the availability of stock and which in turn depends on the correct forecasting of demand and proper procurement planning. The execution of the order will also depend on the right choice of suppliers which in turn depend on proper vendor rating and supplier development and collaboration.

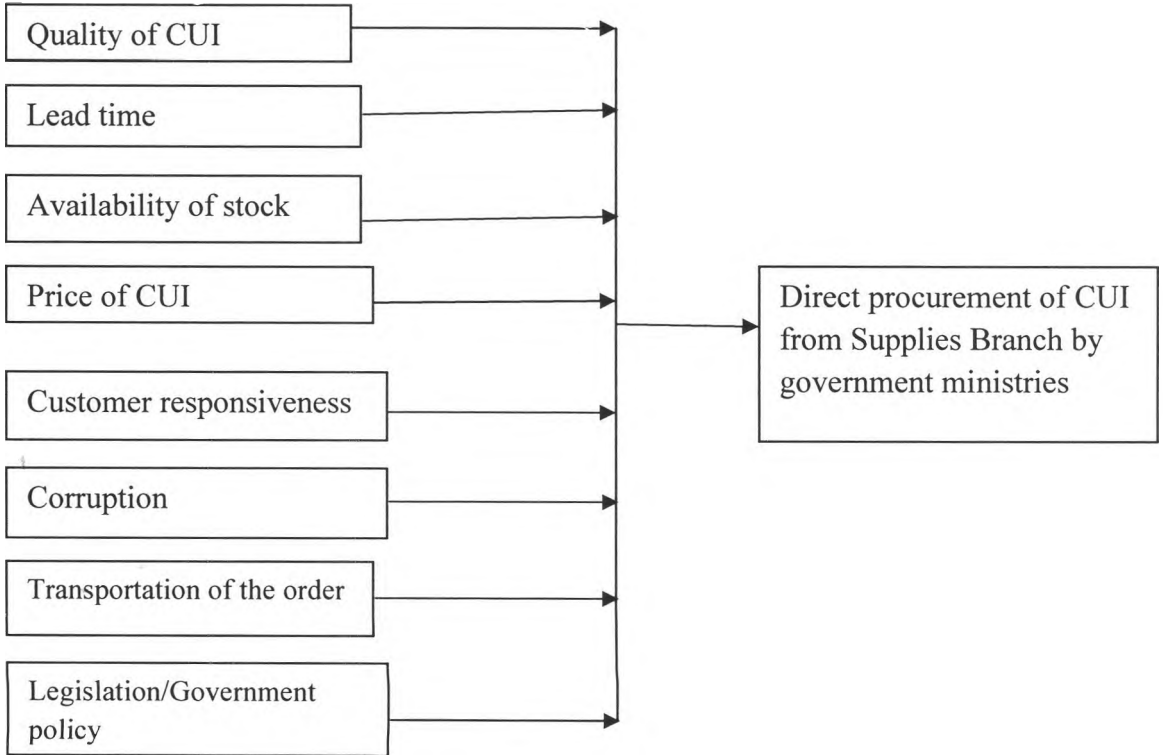
2.10 Conceptual Framework

The conceptual framework for this study consists of factors that influence the direct procurement of CUI from Supplies Branch by government ministries and the challenges

government ministries face while using direct procurement of CUI from Supplies Branch. The independent variables of the study which influence the direct procurement of CUI at Supplies Branch include quality of the CUI supplied by Supplies Branch, price of the CUI offered by Supplies Branch, lead time while sourcing directly from Supplies Branch, the availability of stock of CUI at Supplies Branch when needed by government ministries, customer responsiveness, corruption, transportation of the order and lack of proper legislation or government policy on procurement of common user items.

Figure 2.1: Conceptual Framework

Factors affecting direct procurement of CUI from Supplies Branch by government ministries



CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter entails the methodology that was adopted in carrying out this study and this includes research design, target population, data collection and data analysis techniques.

3.2 Research Design

The descriptive design was employed in the study. Descriptive study was used to describe the characteristics of the variables of interest such as price, lead time, availability of stock, quality of CUI at Supplies Branch, customer responsiveness, corruption, transportation of orders, and lack of proper legislation or government policy on procurement of CUI. Descriptive study enabled the researcher to bring to light the procurement practices in public sector organizations. The study was a census survey of all the 42 government ministries that procure CUI from Supplies Branch.

3.3 Target Population

This study was conducted in a public sector environment, government ministries. Being a census survey the target population was the 42 government ministries.

3.4 Selection of Respondents from the Study Population

The coalition government of the Republic of Kenya as currently constituted has 42 government ministries and are all headquartered at the City of Nairobi. All the 42 government ministries were considered in the study since it was census survey. This enabled the study to capture respondent's views from all the target population.

Two employees were picked from the target population of all the 42 government ministries. The two employees were picked using purposive sampling. The head of

procuring department and head of warehouse were selected because the two have the required information with respect to the objectives of the study. This is because the head of procurement department in the ministry is informed on direct procurement of CUI from Supplies Branch and the role that Supplies Branch plays because all requisitions and orders must get approval from this office. On the other hand the head of warehouse who works under the head of procurement is the custodian and receiver and among the inspectors of CUI received from Supplies Branch and would be informed on Supplies Branch operations and supplies in general. This sampling will result in 84 respondents from government ministries.

3.5 Data Collection

The instrument which was used to collect primary data is questionnaire. The questionnaire targeted government ministry respondents and comprised of Section A which covered background information that included the department, age group, experience, gender, level of education and job level of the respondent. Section B addressed factors influencing the use of direct procurement of CUI from Supplies Branch including quality, lead time, stock outs and price of CUI at Supplies Branch. Section C of the questionnaire concentrated on the challenges facing government ministries while procuring CUI at Supplies Branch including transportation of the order, customer responsiveness, government policy and legislation and corruption

The questionnaire was self administered and drop and pick method was used in collecting the data. This gave the respondent ample time to respond to the questions in the questionnaire and seek any clarifications if any.

3.6 Analysis and Presentation of Data.

After picking all the questionnaires that had been filled, the researcher edited the questionnaires to ensure that the data is reasonably good for analysis. Coding of the data was done so that it could conveniently be used in analysis using Statistical Package for Social Sciences (SPSS). The data was then keyed into the computer and SPSS was applied to extract frequency tables assisted in interpretation of the results of the study.

The two objectives of the study were met through analysis of the information gathered from the respondents. Section B of the questionnaire addressed the first objective by seeking to establish the factors affecting direct procurement of CUI by government ministries from Supplies Branch. Descriptive statistics was applied to establish at what level that factors such as quality, price, lead time, and stock outs influence use of direct procurement of CUI from Supplies Branch by government ministries.

The second objective was addressed by section C of the questionnaire which sought to establish challenges facing government ministries while procuring CUI directly from Supplies Branch, through analysis of the response from respondents using descriptive statistics including frequency tables.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents and discusses data analysis and findings of the study based on the two objectives of establishing factors influencing the use of direct procurement of CUI from Supplies Branch by government ministries and challenges facing government ministries when using direct procurement of CUI from Supplies Branch.

4.2 Data Analysis and Findings

The study targeted a total of 84 respondents, two from each of the 42 government ministries. The two respondents comprised of head of procurement division and head of warehouse in each ministry. The response rate realized was 81 which translate to 96.42%. Three respondents from three ministries, Defense, Public Service and foreign affairs did not submit their questionnaires back because they were away on official duties and getting them on their mobile phones was fruitless.

4.2.1 Background Information of the Respondents

Out of the 81 respondents 57 were male representing 70.4% and 24 were female representing 29.6%. The age group of respondents was evenly spread with a mean age group of 36-45 years. 26 were senior level managers and 50 were middle level managers while 5 were subordinate. 44 respondents representing 54.3% had attained university education, 32 representing 39.5% had attained diploma as their highest education while 5 representing 6.2% reached O level

4.2.2 Factors Influencing Direct Procurement of CUI from Supplies Branch

The research sought to establish factors that influenced direct procurement of CUI from Supplies Branch by government ministries. The research findings revealed that price emerged as the leading factor with 43.8% of the respondents followed by quality, time factor, lead time, Government policy, reliability, convenience and responsiveness to customer needs in that order as shown in the table 4.1. This result emphasizes further the need for the government ministries to procure directly from Supplies Branch because of the lower prices resulting from the economies of scale from bulk procurement centrally by Supplies Branch which are extended to government ministries.

Table 4.1 Employees take on factors influencing use of direct Procurement of CUI

Factors	Frequency	Percent	Valid Percent	Cumulative Percent
Government Procurement Policy	7	8.6	8.8	8.8
lead time	7	8.6	8.8	17.5
Quality	14	17.3	17.5	35.0
Reliability	4	4.9	5.0	40.0
Responsiveness to customer needs	1	1.2	1.3	41.3
Price	35	43.2	43.8	85.0
Time factor	9	11.1	11.3	96.3
convenient	3	3.7	3.8	100.0
Total	80	98.8	100.0	
Missing System	1	1.2		
Total	81	100.0		

Source: Researcher (2011)

4.2.3 Quality Issues

After getting the feel of the response about factors affecting direct procurement of CUI from Supplies Branch, the individual factors were assessed starting with quality issues.

The research sought to establish whether Supplies Branch supply their ministries with high quality CUI. The findings are in table 4.2

Table 4.2 Employees take on quality of CUI from Supplies Branch

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly agree	5	6.2	6.2	6.2
Agree	12	14.8	14.8	21.0
Neither agree nor Disagree	21	25.9	25.9	46.9
Disagree	32	39.5	39.5	86.4
Strongly Disagree	11	13.6	13.6	100.0
Total	81	100.0	100.0	

Source: Researcher (2011)

From table 4.2 only 17 respondents agree while 43 disagree and 21 are not sure that is they neither agree nor disagree hence majority 53.1% of the respondent do not agree that Supplies Branch supply high quality CUI.

On close examination 61 respondents representing 75.3% of all respondents indicated that Supplies Branch does not consult the user ministries when drawing specifications for CUI which is a major weakness and can easily contribute to problems with the quality required by user ministries. The question on internal customers complaining of poor quality of common user items from Supplies Branch was put to the respondents and 38 respondents representing 46.91% agreed while a significant number of 25 representing 38.1% of all respondents disagreed.

4.2.4 Reliability of Supply

Reliability of supply of CUI by Supplies Branch was another subject of inquiry from respondents where the research sought to find out whether Supplies Branch is a one stop

shop for all the CUI for ministries. 51 of the respondents representing 62.96% disagreed while only 13 agreed. 17 respondents neither agreed nor disagreed. The research also sought to find out the certainty of availing CUI on demand and the results are shown in table 4.3. 57 respondents representing 70.4% disagreed hence showing that it's uncertain on when a ministry placing an order with Supplies Branch would get their order supplied. Reliability was also tested using availability of stock in the warehouse. The response was 63 respondents representing 77.78% disagreed, 12 neither agreed nor disagreed while only 6 agreed, an indication of unreliability because lack of enough stock to resale to ministries implies delays and unreliability due to inconsistent lead times. On whether Supplies Branch consolidates procurement plans from government ministries for effective planning and enhanced reliability, the study revealed that 66 respondents out of 81 representing 81.48% disagreed while only 8 respondents agreed and 7 did not agree nor disagree. The research sought to find out whether ministries procure more CUI from the open market than Supplies Branch and 52 out of 81 respondents representing 64.2% agreed while 15 disagreed and 14 neither agreed nor disagreed.

Table 4.3 Employees take on certainty of supply of CUI

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly agree	2	2.5	2.5	2.5
Agree	8	9.9	9.9	12.3
Neither agree nor Disagree	14	17.3	17.3	29.6
Disagree	40	49.4	49.4	79.0
Strongly Disagree	17	21.0	21.0	100.0
Total	81	100.0	100.0	

Source: Researcher (2011)

4.2.5 Lead Time at Supplies Branch

The research sought to find out whether direct procurement of CUI from Supplies Branch takes the longest time from the requisition time to the time of availing the goods compared to other methods of procurement. Out of 81 respondents 16 respondents strongly agreed, 29 agreed, 14 disagreed and only 2 strongly disagreed. 20 respondents neither agreed nor disagreed. Majority of the respondents, 45 representing 55.6% agreed that direct procurement of CUI from Supplies Branch takes the longest time from the requisition time to the time of availing the goods compared to other methods of procurement. The results of this analysis are shown in table 4.4

Table 4.4 Employees take on time taken to Supply CUI to ministries

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly agree	16	19.8	19.8	19.8
Agree	29	35.8	35.8	55.6
Neither agree nor Disagree	20	24.7	24.7	80.2
Disagree	14	17.3	17.3	97.5
Strongly Disagree	2	2.5	2.5	100.0
Total	81	100.0	100.0	

Source: Researcher (2011)

20 respondents out of 81 neither agreed nor disagreed that Supplies Branch takes the longest time to avail CUI to procuring ministries. The study wanted to establish whether the requirement by Supplies Branch that government ministries pay for CUI first before they can collect them contributes to longer lead times and out of 81 respondents, 19 strongly agreed, 37 agreed, 18 neither agreed nor disagreed, 5 disagreed and only 2 strongly disagreed.

4.2.6 Price and Value for Money on CUI from Supplies Branch

On whether the price offered by Supplies Branch was the lowest, 55.6% of all the respondents agreed that Supplies Branch offer the lowest price of CUI in the market. 24.69% of the respondents neither agreed nor disagreed. The researcher wanted to find out if the lower prices offered by Supplies Branch translated in value for money and the respondents were divided down the middle with 34.56% agreeing while 35.8% disagreeing with the view that low prices offered by Supplies Branch translates in value for money as shown in table 4.5. 24 respondents representing 29.61% neither agreed nor disagreed.

Table 4.5 Employees take on value for money from lower prices

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly agree	5	6.2	6.2	6.2
Agree	23	28.4	28.4	34.6
Neither agree nor Disagree	24	29.6	29.6	64.2
Disagree	21	25.9	25.9	90.1
Strongly Disagree	8	9.9	9.9	100.0
Total	81	100.0	100.0	

Source: Researcher (2011)

4.2.7 Challenges Facing Government Ministries When Using Direct Procurement of CUI from Supplies Branch

The second objective of this study was to establish challenges facing government ministries using direct procurement of CUI from Supplies Branch. The research sought to find out the challenges that ministries face while using direct procurement of CUI from Supplies Branch. The respondents gave varied responses including poor quality, delays in delivery, consistent stock outs, payment terms, and lack of delivery services, rejection of

items by users, long and inconsistent lead times, unreliability, poor communication and customer responsiveness. The respondents were then asked specific questions regarding some of the perceived challenges from the literature review which included transportation of the order, corruption, customer responsiveness and government policy on procurement of CUI.

4.2.7.1 Transportation of Order

The research sought to find out whether Supplies Branch was unable to make available all orders requested by the ministries at once and the results are shown in table 4.6.

76.6% of the respondents agreed with the statement while only 16.0% disagreed, 7.4% neither agreed nor disagreed.

Table 4.6 Employees take on availability of orders at once

Response		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	17	21.0	21.0	21.0
	Agree	45	55.6	55.6	76.5
	Neither agree nor Disagree	6	7.4	7.4	84.0
	Disagree	9	11.1	11.1	95.1
	Strongly Disagree	4	4.9	4.9	100.0
	Total	81	100.0	100.0	

Source: Researcher (2011)

4.2.7.2 Corruption Practices

The research sought to establish whether corruption by ministry officials contributed to lack of procurement of CUI from Supplies Branch. Majority of the respondents at 58% disagreed while only 6% agreed. The rest of respondents neither agreed nor disagreed.

When asked whether there is rampant lobbying for suppliers by ministry officials for

supply of CUI, majority of the respondents disagreed at 40.74% compared to the minority who agreed at 16%. 43.2% of the respondents neither agreed nor disagreed.

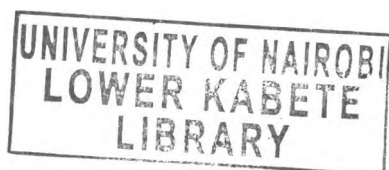


Table 4.7 Employees take on corruption by ministry official

Response		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	5	6.2	6.2	6.2
	Agree	10	12.3	12.3	18.5
	Neither agree nor Disagree	19	23.5	23.5	42.0
	Disagree	33	40.7	40.7	82.7
	Strongly Disagree	14	17.3	17.3	100.0
	Total	81	100.0	100.0	

Source: Researcher (2011)

4.2.7.3 Customer Service

The research sought to establish whether Supplies Branch had effective communication channels for updates on stock availability and 67.9% of the respondents indicated that there were ineffective communication and updates on stock availability from Supplies Branch as shown in table 4.8. 81.48% of the respondents indicated that Supplies Branch was not responsive to the ministries needs. The study also revealed that 74.09% of the respondents indicated that Supplies Branch took the longest time to respond to queries from ministries

Table 4.8 Employees take on Supplies Branch responsiveness to ministries needs

Response		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	2	2.5	2.5	2.5
	Agree	13	16.0	16.0	18.5
	Neither agree nor Disagree	11	13.6	13.6	32.1
	Disagree	36	44.4	44.4	76.5
	Strongly Disagree	19	23.5	23.5	100.0
	Total	81	100.0	100.0	

Source: Researcher (2011)

4.2.7.4 Government Policy on Use of Direct Procurement of CUI from Supplies

Branch

This study sought to establish from the respondents their take on government policy and legislation about procurement of CUI. Majority of the respondents at 53% agreed that lack of clear legislation or government policy on procurement of CUI has led to reduced use of direct procurement of CUI from Supplies Branch. The effort by PPOA to put market rates both on the website and in print for CUI has not assisted in enhancing the use of direct procurement of CUI from Supplies Branch according to 45.67% of the respondents and 48.14% of the respondents feel that the PPDA has not encouraged ministries to procure CUI from Supplies Branch either.

4.3 Discussions on Findings

These study findings have shown that price, quality, lead time, stock outs, lack of delivery services, government policy, reliability, and convenience have a bearing on the use of direct procurement of CUI from Supplies Branch. In the literature review some of these factors featured prominently as some of the factors that could affect the use of direct procurement of CUI. The study has rated price as the leading factor that contribute positively to the use of direct procurement of CUI from Supplies Branch, however, all the factors are contributing negatively to the use of direct procurement of CUI from Supplies Branch. These factors include poor quality of CUI from Supplies Branch which lead to complains from users of the CUI within ministries. The poor quality of CUI could be as a result of lack of consultation on specifications as indicated in the research findings among many other reasons.

The other factors contributing negatively is the unavailability of stock that leads to longer lead times and increase uncertainty of supply making Supplies Branch unreliable supplier of CUI to ministries despite the lower prices. In the literature review we are informed that those firms that do not respond to their customer's needs and take long to respond to their queries like Supplies Branch does according to the study findings will find themselves out of business and not famous with their customers. This could explain why ministries are advertising for prequalification of suppliers for CUI yet there is Supplies Branch offering lower prices for the same CUI. Lack of procurement planning by Supplies Branch as indicated in the results shown could indeed be one of the reasons why Supplies Branch is unreliable in coordination of procurement of CUI by government ministries.

The study has established challenges facing government ministries as lack of delivery services, poor customer service and lack of clear government policy, stringent payment terms, lack of effective communication and feedback mechanisms, and rejection of items by users because of poor quality, consistent stock outs, long inconsistent lead times and unreliability. Most of these challenges emanate or are related to those factors affecting the use of direct procurement of CUI from Supplies Branch, for example poor quality leads to the rejection of the CUI by users while stock outs would lead to long and inconsistent lead times. These challenges were discussed in the literature review and confirm what was discussed in the literature review; however, the study has revealed that corruption is not a challenge to the use of procurement of CUI from Supplies Branch by ministries contrary to the literature review. This could have been occasioned by dishonest from the respondents who may have wanted not to appear corrupt.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the study, conclusions drawn from the summary and recommendations based on the conclusions. The chapter also gives limitations of the study and suggestions for further research.

5.2 Summary

This study established that there were several factors influencing the use of direct procurement of CUI from Supplies Branch by government ministries including price, quality, time, lead time, government policy, reliability, convenience and customer responsiveness. Price was rated the most influencing factor at 43.75%. Majority of the respondents at 53.09% feel that Supplies Branch supply poor quality CUI and 75.3% indicated that their ministries are never consulted on specifications of the CUI. 46.91% of the respondents have their users of the CUI complain to them about the quality of CUI from Supplies Branch. Supplies Branch CUI are therefore rated of substandard quality and hence unable to attract the orders from government ministries as the case ought to be.

Supplies Branch is not a one stop shop for CUI according to 62.96% of the respondents. 70.37% are uncertain when their order would be serviced even after paying for the CUI. 77.78% of the respondents indicated that Supplies Branch does not have enough stock while 81.48% respondents indicated that Supplies Branch does not consolidate procurement plans for CUI from all ministries for effective planning and smooth supply. All these statistics give an indication of unreliable Supplies Branch and which is unlikely to attract orders from her clients.

Lead time at Supplies Branch is considered the longest compared to other suppliers in the open market according to 55.56% of the respondents. There is always unavailability of CUI at Supplies Branch even after payment has been effected by government ministries according to 67.9% of the respondents. The condition imposed by Supplies Branch that payment must be made first before an order is serviced has contributed to the longer lead times according to 69.14% of the respondents.

55.56% of the respondents agree that Supplies Branch offer the lowest price in the market for CUI. Interestingly 35.8% of the respondents feel that the lower prices offered by Supplies Branch does not translate to value for money while 34.56% feel that the lower prices translates value for money to the ministries. 29.61% neither agree nor disagree. These statistics may require another study to look into the other factors attached on value for money but it can comfortably concluded that other than price there are factors like quality and time value of money that may make respondents feel that Supplies Branch is not offering value for money through lower prices.

There were a number of challenges floated by the respondents concerning use of direct procurement of CUI by ministries from Supplies Branch and this included poor quality, delays in delivery, stock outs, payment terms, lack of delivery services, rejection of CUI by users after paying for them, long inconsistent lead times, unreliability, poor communication and customer responsiveness.

On transportation of the order 76.54% of the respondents indicated that they were inconvenienced in collection of their orders which is serviced in piecemeal after payment has been made to Supplies Branch. A lot of time is thus wasted and increased transportation costs from this experience. 81.18% of the respondent indicated that it's

desirable to procure CUI from the open market because the suppliers in the open market offer delivery services and this can explain why despite the lower prices offered by Supplies Branch on CUI, 35.8% of the respondent felt that the lower prices do not translate in value for money by ministries.

Corruption was mentioned in the literature review as one area that government officials engage in especially while procuring goods and services. This study, however, has established that corruption is not one of the challenges because only 6% of the respondents agreed that government ministries do not procure CUI from Supplies Branch because of corruption practices by ministry officials while 58% disagreed and 23.45% neither agreed nor disagreed. Respondents further disagreed with the notion that there was rampant lobbying for suppliers by ministry officials for supply of CUI since only 16% agreed. The respondents were also asked to what extent they agreed with the statement; conflict of interest by ministry officials led to procurement of CUI from the open market rather than directly from Supplies Branch and only 14.8% agreed meaning that there was no conflict of interest.

Three questions were asked regarding customer service and from the response, there was poor customer service at Supplies Branch led by poor responsiveness to the needs of ministry officials by Supplies Branch at 81.48% of all the respondents followed by poor response time to queries from ministries at 74.09% and lastly poor communication on feedback at 67.9%. All these challenges combined paint a bad picture on customer service and therefore ministries would be justified in taking their orders for CUI elsewhere other than Supplies Branch.

Majority of the respondents indicated that there is lack of legislative support and government policy on procurement of CUI. 53% of the respondents agreed that lack of clear legislation or government policy on procurement of CUI led to reduced use of direct procurement of CUI from Supplies Branch. 45.67% of the entire respondent felt that the effort of PPOA to put market rates of CUI on their website and in print has not helped in addressing the issue of direct procurement of CUI from Supplies Branch. 48.14% of the respondents indicated that PPDA has not encouraged the use of direct procurement of CUI from Supplies Branch

5.3 Conclusion

This study had two objectives of establishing factors influencing use of direct procurement of CUI from Supplies Branch by government ministries and establishing challenges that face government ministries when using direct procurement of CUI. The study has revealed through its findings that there are many factors influencing use of direct procurement of CUI from Supplies Branch by government ministries which include price, quality of the CUI, lead time, reliability of supply, convenience, government policy and customer service. Price emerged to be the leading factor at 43.75%. The study revealed that despite the lower prices offered by Supplies Branch for CUI, government ministries have continued to procure CUI from the open market instead of using direct procurement of CUI from Supplies Branch. This trend could be explained by the findings that Supplies Branch supply substandard CUI, there are no consultations about specifications of CUI with government ministries and most users of CUI in government ministries complain of poor quality of CUI from Supplies Branch.

Supplies Branch is not reliable in servicing of the ministries orders and there are frequent stock outs of CUI according to the findings of the study. This study has also revealed that Supplies Branch is not a one stop shop for CUI and therefore government ministries are never sure when their order would be serviced. Supplies Branch according the study does not consolidate the ministries requirement of CUI in a consolidated procurement plan for effective planning and this lack of planning contribute to the stock outs and in the end *government ministries prefer to procure CUI from the open market instead of using the direct procurement from Supplies Branch despite the lower prices.*

This study has established that government ministries experience longer lead times while using direct procurement of CUI from Supplies Branch. The condition of payment upfront by government ministries contribute to longer lead times which are inconsistent and the problem of unavailability of CUI even after paying for them exert pressure to government ministries because they are unable to procure from elsewhere because funds earmarked for CUI are tied at Supplies Branch. This could be the reason why 35.8% of the respondents felt that Supplies Branch does not offer value for money despite the lower prices for CUI offered by Supplies Branch. From the analysis of all the factors its evident that Supplies Branch offer lower prices for CUI which contribute positively to the use of direct procurement of CUI from Supplies Branch by government ministries, however, the lower prices is outweighed by all other factors which contribute negatively to the use of direct procurement of CUI for Supplies Branch by government ministries. These factors include poor quality, long inconsistent lead time, and unreliability in supply, poor customer service and government policy.

The second objective of the study was to establish challenges that government ministries face when using direct procurement of CUI. The study established the following challenges: poor quality, delays in delivery, stock outs, lack of delivery services, stringent payment terms, rejection of CUI from Supplies Branch by users after payment has been effected, long inconsistent lead times, unreliability, poor communication and customer responsiveness. All the above challenges are supported in the literature review, however, corruption was one of the perceived challenges in the literature review but this study found that it's not one of the challenges since only 6% of the respondents agreed that corruption was a challenge.

5.4 Recommendations

From the research findings and conclusions, it's recommended that the government comes up with a clear legal framework and or policy on procurement of CUI. This can be done by including the function of Supplies Branch in the PPDA and clearly define its roles and obligations. Supplies Branch top management should review their activities with regard to procurement of CUI through effective planning by consolidating all the CUI requirements of each ministry and have senior officers attached to every ministry for all their correspondence for effective communication and response to ministries needs. Supplies Branch should have modern communication equipments and software that would enhance the communication with their clients besides delivering their orders on time.

Another alternative is to have Supplies Branch enter into framework contract with different Suppliers for different CUI with clear and favorable terms and conditions on the

lead time, price, quality and delivery. The government ministries would then be placing orders directly to these suppliers as and when they need the CUI.

5.5 Limitations of the Study

The design of the research was descriptive census study and targeted 84 respondents two from each of the 42 ministries. The study managed to collect data from 81 respondents as the other three respondents could not respond and were unavailable. This led to 3 ministries being presented by one instead of two respondents. Government ministries are represented in all the 47 counties and Supplies Branch have depots in all the 8 former provinces but time and financial constraints could not have allowed to cover all the 47 counties and hence concentrated at the ministry headquarters and Supplies Branch headquarters in Nairobi county.

5.6 Suggestions for Further Research

Further research is recommended for a study on whether there is value for money to government ministries while procuring from Supplies Branch as opposed to procuring from the open market. This study could reveal on the price variations of CUI between Supplies Branch and its competitors with all other associated contributors of value for money. Further research can also be done to find out whether Supplies Branch has the capacity or what factors are contributing to its poor performance in relation to coordination of supply of CUI.

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APPENDICES

Appendix 1: Letter of Introduction

Sammy O Okonji,
P.O Box 30582 00100,
Nairobi.
25th August ,2011.
0723 349331

Dear respondent,

RE: RESEARCH PROJECT

I am a postgraduate student at the University of Nairobi. I am required to carry out research project as part of the requirement of the Master of Business Administration (MBA) course which am pursuing. My research project is titled “Factors influencing the use of direct procurement of Common User Items from Supplies Branch by government ministries”

To enable me carry out the research successfully I need to collect data using questionnaires which will form basis of the research findings. I am kindly requesting you respond to the questions as directed in the questionnaire as honestly as possible. The information you give in this questionnaire will be treated with utmost confidentiality and will be used solely for the purposes of the study.

Thank you in advance.

Yours Sincerely,

Sammy O. Okonji

Appendix 11 Research Questionnaire

To be filled by respondents from government ministries

Factors affecting direct procurement of common user items from Supplies Branch by government ministries.

Section A

Background information

1. Please state the Ministry/ Department you are working in-----

2. Please tick your gender

Male Female

3. Please tick your age bracket from the following

18-25 years 26-35 years 36-45 years

46-55 years above 55 years

4. What is your job title? -----

5. What is your job level?

Subordinate staff Middle level manager Senior level manager

6. Please tick the number of years worked with the Ministry

Less than 1 year 1-3 years 3-5years above 5years

7. Level of education

Primary level O level College University level

Section B

1. How do you generally rate Supplies Branch performance in coordination of procurement of common user items to government ministries? Tick where appropriate.

1. Very good 2. Good 3. Fair
 4. Poor 5. Very poor

2. What factors influence direct procurement of common user items from Supplies Branch by your ministry?

3. Please complete the following by ticking or circling the appropriate degree with which you agree with the statement where;

1. Means you strongly agree 2. Means you agree 3. Means you neither agree nor disagree
 4. Means you disagree 5. Means you strongly disagree.

no	Quality issues	1	2	3	4	5
1	Supplies Branch supply your ministry with high quality common user items					
2	Supplies Branch draw specifications of common user items in consultation with your ministry as its customer.					
3	Your internal customers are always complaining of poor quality of common user items from Supplies Branch					
no	Reliability of Supply	1	2	3	4	5

1	Supply Branch is a one stop shop for all the common user items for your ministry					
2	Its known with certainty when the common user items would be available when your ministry place an order with Supplies Branch					
3	Supplies Branch have enough stock for all the common user items in their warehouse ready for resale to your ministry on demand					
4	Supplies Branch consolidates procurement plans of common user items from your ministry and others to ensure smooth and reliable supply of common user items.					
5	Your ministry procures more common user items from the open market rather than Supplies Branch.					
6	Supplies Branch are unreliable in the supply of common user items to your ministry					
no	Lead time	1	2	3	4	5
1	Direct procurement of common user items from Supplies Branch takes the longest time from the requisition time to the time of availing the goods compared to other methods of procurement					
2	Cases of unavailability of common user items at Supplies Branch even after placing an order and paying for the goods are high and common leading to unnecessary delays in supply					
3	The requirement of payment first before collection of common user items from Supplies Branch by government ministries has made the time taken to avail the common user items to the users take much longer time					
no	Price and Value for money	1	2	3	4	5
1	Supplies Branch offer the lowest price for common user items to your					

	ministry compared to other suppliers of common user items from open market					
2	The lower prices offered by Supplies Branch contributes to higher demand of common user items from Supplies Branch by your ministry					
3	Supplies Branch offer value for money to your ministry through lower prices					

Section C

1. What challenges does your ministry face while procuring common user items directly from Supplies Branch?

2. Please rank the challenges above starting with the most challenging to the least challenging

3. Please complete the following by ticking or circling the appropriate degree with which you agree with the statement where;

1. Means you strongly agree 2. Means you agree 3. Means you neither agree nor disagree

4. Means you disagree 5. Means you strongly disagree.

no	Transportation of order	1	2	3	4	5
1	Your ministry experience a lot of difficulties in collection of common user items procured directly from Supplies Branch					

2	Supply Branch is unable to make available all orders at once thus making it expensive and inconvenience for your ministry to collect orders in piecemeal					
3	Sourcing of common user items from the open market is desirable because the order is delivered to the ministry's store/warehouse by the Supplier					
no	Corruption	1	2	3	4	5
1	Government ministries do not procure common user items from Supplies branch because of corruption practices by ministry officials					
2	There is rampant lobbying for Suppliers by ministry officials for supply of common user items hence leading to reduced or lower direct procurement of common user items from Supplies Branch					
3	Conflict of interest by your ministry officials leads to procuring from open market rather than directly from Supplies Branch.					
no	Customer responsiveness	1	2	3	4	5
1	Supplies Branch is highly responsive to your ministry's needs of common user items					
2	Supplies Branch has effective communication channels with government ministries and keep on updating your ministry on available orders and stock					
3	Supplies Branch take the shortest time to respond to queries from your ministry compared to other suppliers of common user items					
no	Legislation/ Government policy	1	2	3	4	5
1	Lack of clear legislation or government policy on procurement of common user items has led to reduced direct procurement of common					

	user items from Supplies Branch					
2	The provision of market rates by Public Procurement Oversight Authority on their website and in print for common user items has led to government ministries procuring common user items directly from Supplies Branch					
3	The Public Procurement and Disposal Act, 2005 has encouraged your ministry to procure common user items from Supplies Branch					

2. What would you recommend to be done to make direct procurement of common user items by government ministries from Supplies Branch Successful? -----

Thank you for participating