

**STRATEGIC PROCUREMENT PRACTICES AND PROCUREMENT
PERFORMANCE AMONG COMMERCIAL BANKS IN KENYA**

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DECLARATION

This project is my original work and has not been submitted for a degree in any other University or institution for academic credit.

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This project has been submitted for examination with my approval as the University

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DEDICATION

This project is dedicated to my family: My wife Rebecca Rhobi, my daughter Sharon Ghati and Victoria Iranda for their understanding and support during the study

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I wish to thank my wife for her love, guidance, patience, understanding and support. Without her material support, residential consultations and encouragement this work would not have been accomplished. I salute our children Sharon and Vickie for their understanding and encouragement.

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ABSTRACT

Procurement is increasingly becoming one of the critical and strategic functions of every organization with the potential to contribute positively to the success of operations leading to reliable service delivery and competitiveness. Strategic procurement indeed sets in motion the entire acquisition/ procurement process of all the purchases by the commercial banks. Despite this importance very limited scientific research has been done to examine the extent to which efforts in strategic procurement affect procurement performance among the commercial banks in Kenya. This study looked at the role of strategic procurement practices on procurement performance of commercial Banks in Kenya. Specifically the study reviewed six strategic procurement practices and how they contribute to success of procurement function in these Banks. The practices discussed mainly comprised; clear goal identification and setting measurable objectives, development of strategies and tactics, supplier relationship management plan, measurement plan, category management and spend management plans and technology utilization and how they affected the procurement performance of commercial banks in Kenya. It was hypothesized in the study that strategic procurement practices, positively affect the procurement performance of banks. Empirical data was collected from procurement officers of the 39 respondents from the targeted population of 43. The empirical data was analyzed both quantitatively and qualitatively to examine the relationships between strategic procurement practices and procurement performance. The key findings of the study indicated that only nineteen percent (19%) of the variation in procurement performance were explainable by the six procurement practices. Despite this low significance in the relationship between the variables, we recommended that the existing procurement practices be revised and strengthened to further improve bank procurement performance. Further research was recommended to cover other strategic procurement attributes hence improving the significance of the whole model.

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CHAPTER ONE: INTRODUCTION

1.1 Background

As the business environment keeps changing and becoming more complex, organizations continue searching for new ways to remain relevant and competitive in their operations. This can only be achieved if a firm delivers end product or service to her customers when they are wanted and at a price that customers feel fair. This is influenced by the firm's economic value which should be more than its rival, (Leenders, 1989).

Since virtually every organization purchase goods or services to operate, supply chain has attracted more attention than before due the massive potential that exist for improvement in gaining the competitive advantage thus reducing cost and better product or service performance, (Swinder&Seshadri, 2001)

One of the tools for the firm's competitiveness is strategic procurement which is seen to have a positive effect on the overall performance of the organization. Unlike traditional purchasing driven by the desire to cut costs of purchase, short-term profit improvement, transactional rather than relationship behavior, and emphasis on price reduction. Strategic procurement planning, by contrast, looks at how the purchasing of goods and services, including outsourcing of entire processes, can deliver better long-term shareholder value. It involves reducing the supplier base, co-operative negotiation with suppliers, quality interaction with suppliers, and developing long-term relationships with the best suppliers. Nevertheless, these strategic procurement behaviors are linked to better procurement performance, (Ellram, 2003).

Some organization fail to recognize how new business paradigms have changed their procurement practices. And those that do may accept under belief that they can't do anything

about it (Mukwana, 2010). Due to this turbulent business environment, procurement strategies have become an area of interest in modern organization since it enables firms to better manage various costs and wastes thus leading to high customer satisfaction and value generation to the stake holders.

1.1.1 Strategic Procurement Practices

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

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

Organization's management on the other hand greatly stands to use the clearly defined purpose and activities in comparing with the procurement results so that progress can be determined. More importantly the buying firm gets value for money through competitive procurement process from the available range of suppliers. For any purchase to take place in a strategic procurement, it has to start with what is needed in the organization thereby eliminating possibilities of wastes in the procurement process, (Van Weel,2006).

Every organization has its own policies, procedures and structures that greatly influence the procurement process. These policies and procedures are built from the organizations paradigm that sometimes contradicts procurement goals and objectives. For tall and bureaucratic organization structures, decision making may take a long time during procurement process. This will definitely influence the number of basic stages to follow in the procurement process. These challenges are even more in those procurement departments that do not having enough information about the procurement procedure, its inputs, outputs, resource consumption and results and are therefore unable to determine their efficiency and effectiveness (Lysons, K. and Farrington, 2006).

1.1.2 Procurement Performance

Procurement performance is the analysis of effectiveness and efficiency of the outcome of procurement activities, where the accomplishment of a given task is measured against preset known standards such as; accuracy, completeness, cost, speed, flexibility, quality of supplies, and supplier profile among many others. Performance is deemed to be the fulfillment of an obligation, in a manner that releases the performer from all liabilities under the contract. Performance management includes activities which ensure that goals are consistently being met in an effective and efficient manner, (Knudsen, D. 1999). Indeed Procurement excellence is increasingly becoming an important factor in delivering efficient operations within successful companies. On the surface, effectively measuring procurement performance may appear simple. However looking deeper, adequate measurement of procurement success is a big issue.

While other function like Human Resource and Finance can have their performance measured, this is not the case with the procurement function. The failure to establish performance of the

procurement function has led to irregular and biased decisions that have costly consequences to every entity. The need to have coherent methods of performance of the procurement function in organizations has never been as sound as it is now. Delaying will worsen the already deteriorating performance, loss of professionals, and organizations will continue incurring unnecessary costs (Swinder, J. and Seshadri, 2001).

However, it is important that appropriate performance measures are put in place. A good performance system should be able to measure both financial and non-financial actions. Organizations which do not have proper performance means in their processes, procedures, and plans experience lower performance, higher customer dissatisfaction and employee turnover, (Amaratunga&Baldry, 2002).

The representation of the strategic procurement can be described in terms of its environment and structure, and what activities take place in the supply link. General performance indicators of the supply link in terms of time, quality, flexibility and cost are used to measure efficiency and effectiveness. The efficiency in the supply link explains how well the resources are utilized. Since resources are scarce, it is in everyone's interest in the organization to maximize the utilization of the resources. The effectiveness of the supply link explains how well the objectives are achieved (Arun, K. and Linet, O. 2005).

1.1.3 Commercial Banks in Kenya

According to chapter 488 of Banking Act, a Commercial Bank is a company which carries on or purposes to carry on banking business in Kenya and includes the cooperative Bank of Kenya Limited but does not include the Central Bank of Kenya. Banking business means accepting from members of the public money on demand deposit repayable on demand or at the expiry of a fixed period or after notice.

There are 43 commercial banks in Kenyan with a few non-financial institutions and foreign exchange bureaus which are licensed and regulated under the Central Bank of Kenya Act, cap 491. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and addresses issues affecting member institutions. The commercial banks offer corporate and retail banking services but a small number, mainly comprising the larger banks, offer other services including investment banking, (Kusina, F. 2011).

The importance of purchasing to commercial Banks competitiveness is increasingly being noted, and is now considered more and more a strategic function. Viewed holistically, however, purchasing comprises all of the goods and services used by banks: from temporary help to recruiting; benefits to market research services; direct mail to advertising services; telecommunication services to computer maintenance and repair; janitorial services. And when viewed in totality, the true impact of purchasing on the bank's bottom line is hardly irrelevant, (Cousins and Spekman, 2003).

Strategic procurement for banks includes the following actions; precisely defining actual business needs, thoroughly analyzing and understanding the economics of the industry from which goods or services will be supplied, understanding what degree of competition or partnering is appropriate based on the magnitude of potential savings and business risk from switching suppliers. Strategic procurement is a coordinated, holistic process that aligns actual business needs and requirements with service acquisition and then measures the performance, (Adhiambo, 2012).

1.2 Statement of the problem

Strategic procurement is essential for competitiveness of procurement function in any organization. The overall procurement performance depends on how well it is strategically positioned to serve the organization. If not well managed, the firm's value adoption process will be jeopardized and procurement as a whole will lose focus leading to inefficiencies that will expose the firm to risks (Van Weele, 2005). Procurement function is transitioning from a clerical non-strategic unit to an effective socio-economic unit that is able to influence decisions and add value.

Commercial Banks in Kenya are increasingly confronted with greater global competition, changing markets or business models, cost reduction pressure, or price volatility among others. Some respond to these challenges by reducing their cost base, exploring new markets or partnerships, introducing new products and services on the market, or by redesigning the organizational structure to become more responsive to new trends and opportunities. Such strategic initiatives impact on all functional areas of the commercial Banks including procurement as a key functional area which contributes to realization of these strategic initiatives, (Amelia S. and Pearson J. 2002, Rwoti, 2005).

Unlike manufacturing companies, whose cost structure is dominated by directly linking cost-of-goods sold to purchasing, and for whom the procurement function is viewed as crucial to business success, commercial banks in Kenya tend to view procurement as reactionary, which as a rule purchases mostly are indirect expense items, as non-critical, and unrelated to the matter at hand. Consequently, this attitude relegates the purchasing function to a low-visibility, purely transactional role in banking and therefore not strategic (Lysons K. and Farrington, B. 2006)

A number of studies have been done in the area of procurement. Ondieki (2000) advised manufacturing firms in Nairobi to borrow a leaf from those that have successful proactive procurement functions in place. However, the study did not show the benefits firms stand to gain by adopting proactive procurement practices. This research therefore intends to bring out some of the benefits that are associated with the adoption of strategic procurement in the organization.

Kakwezi and Sony (2010) found out that procurement planning is an ingredient to service delivery, but the study focused on service delivery ignoring other measures of procurement like financial gains from cost reduction. On the other hand Nantage (2011) asserts that strategic procurement management has a direct impact on the financial performance of Banks in Uganda. It is critical to replicate the study in a different setting and find out if the same recommendation holds among the commercial banks in Kenya.

Hassan (2012) concluded that procurement planning and strategies have a direct positive impact on the performance of humanitarian organization in delivery of relief and emergency services. The study did not bring out the strategic procurement practices to use to realize these benefits. Further, it will be prudent to expand the study and cover other sectors of the Kenyan economy. This research therefore seeks to bridge the research gaps by trying to relate strategies and the procurement performance of commercial Banks in Kenya.

It is clear from these studies that a lot of research has been conducted on procurement practices but focused on different aspects and countries other than strategic procurement practices of commercial Banks in Kenya. The propose of this study is to fill this gap in literature addressing the following questions on what are the strategic procurement practices used by commercial Banks in Kenya? What are the benefits of strategic procurement practices among commercial Banks in Kenya? What challenges are faced in adoption of strategic procurement practices by

commercial Banks in Kenya? What is the relationship between strategic procurement practices and procurement performance of commercial banks in Kenya?

1.3 Objectives of the study

The study seeks to determine the role of strategic procurement on procurement performance among the commercial Banks in Kenya. The specific objectives of the study are as follows: -

- I. To determine the strategic procurement practices used by commercial banks in Kenya;
- II. To determine the benefits of strategic procurement practices to commercial banks in Kenya
- III. To establish challenges faced in adoption of strategic procurement practices by Commercial Banks in Kenya; and
- IV. To establish the relationship between strategic procurement practices and procurement performance among commercial Banks in Kenya.

1.4 Value of the Study

The findings of this study will provide important information to various groups of people; the managers of commercial Banks in Kenya will be able to learn how to make strategic procurement decision at the planning stage; it may also be beneficial to all commercial banks in Kenya since they will enhance the realization of strategic practices that are majorly employed.

The finding from the study may particularly be useful in providing additional knowledge to existing and future organizations on strategic procurement practices adopted to enable them remain competitive.

Other non-Banking organizations in the service industry will also benefit from the study by learning the significance of taking into account the strategic procurement practices for better procurement performance in their organizations

Academicians and researchers may also find the study helpful to identify further areas of research built on the findings of this research. It may be a relevant reference material for researchers on this topic or other related topics. They will use the finding of the study in strategic procurement for their studies in the area of strategic procurement

CHAPTER TWO:LITERATURE REVIEW

2.1Introduction

This section seeks to explore further into the past studies on strategic procurement practices and procurement performance. The clear understanding of the past research enables the understanding of the gaps that exists as well as build onto this research. This section seeks to look at procurement process, strategic procurement practices, benefits of strategic procurement, challenges facing strategic procurement and finally procurement performance measures.

2.2 Procurement process

Procurement begins with the planning decision to make the purchase and this will involve in the first place, deciding whether there is a need for the particular goods or services, ensuring that the purchaser has the powers to undertake the transaction, obtaining any relevant approvals within the organization hierarchy and arranging the necessary funding. It critical for a thorough procurement planning as firms are always facing budget constraints that cannot satisfy all capital acquisition needs (Gianakis M. 2001).

Procurement process can be divided into four different activities, or phases: planning, formalization, implementation, and evaluation. Procurement planning calls for early involvement of the purchasing office so that options and alternatives can be explored with the requesting user. Issues such as purchase estimates, product specifications, make or buy decisions, and outsourcing opportunities may very well be on the agenda. The process begins with procurement planning and ends with it after being formalized, implemented and evaluated (Drabkin& Thai, 2003). Indeed a mistake in procurement planning has far reaching implications on each and

every other function of an organization and finally impact negatively on the overall performance of the firm.

However, some firms continue to overlook procurement planning. The reasons for lack of procurement planning by such entities have been the actual lack of understanding of the value of procurement, proper enforcement of rules relating to planning. It could also relate to lack of capacity due to limited procurement professionals and lack of commitment and support from management of those organizations. Planning effort will succeed only with the complete commitment and involvement of top management, along with appropriate personnel that have a stake(Nantege 2011). This implies that, without thorough procurement planning, the sub-sequent procurement processes will not yield substantial benefits. Confusion in the whole organization may arise leading to duplication of activities and non-value adding steps with the end results being customer not satisfied.

2.3 Strategic procurement practices

There are various strategic procurement practices which shall be discussed mainly comprising; clear goal identification and setting measurable objectives, development of strategies and tactics, supplier relationship management plan, measurement plan, category management and spend management plans and technology utilization, (CIPS Australia 2010).

It is vital for every organization beginning a new procurement, to check whether there is need to start an entirely new procurement process and how the procurement practice adds value to whole process. The purchasing firm will leverage on its strengths by adopting relevant practices that will translate to the realization of its procurement strategic goals, (Neely, 2005).

2.3.1 Clear Goal Identification and Setting Measuring Objectives

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

The acronym SMART is often used to provide guidance in the development of objectives. SMART stands for specific, measurable, actionable, realistic and time bound. These objectives are the basis upon which progress can be evaluated. Procurement management activities should be tailored to those values that are in line with the overall business goals (Kathama 2012). Therefore goal setting enables the procurement function to have direction and rally its resources in pursuit of this common goal.

2.3.2 Development of Procurement Strategy and Tactics

Strategies and tactics are therefore developed to achieve established goals and objectives. Strategies are general and indicate broadly how an organization will meet its purchasing objectives. Strategies are designed to either leverage or capitalize on strengths and opportunities, or to overcome weaknesses and threats. Tactics meanwhile are operational in nature and represent action plans for specific tasks that will be done in support of the identified strategies.

A shift of focus from transactional purchasing to value-based procurement is essential so to translate to significant bottom line improvements to the organization. In comparison to reactive transactional procurement, a best practice procurement strategy examines the current supply and demand markets, and the commercial terms and conditions which are of

significant importance. This is important in giving the procurement function the force it requires in gaining the competitive edge that makes it realize or achieve intended goals (Swinder, J. and Seshadri, S. 2001)

2.3.3 Establishment of a Measurement Plan

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

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

2.3.4 Supplier Relationship Management (SRM)

The strategic relationship with suppliers begins long before the first order is placed as noted by Carr and Pearson, (2002), and continues well beyond the receipt of goods. This relationship is far different from the transactional tactical supplier relationship. Strategic relationship

management goes beyond procuring products and services. It seeks to maximize the benefit for both supplier and customer and identify and implement mutual successes that will benefit both parties (Stephan Dalpe. 2005).

SRM recognises that different relationships will be required with different suppliers/providers. Kai, V. (2006) on the other hand believes that this type of relationship will depend largely on the criticality and/or value of the goods or services they supply, and factors such as the number of suppliers in the market, and the global availability of a requirement. It allows procurement function to develop strategies for dealing with suppliers to achieve on going value for money, and reduce the risk of poor performance or non-delivery or non-availability. It allows the procurement organisation to focus effort on the right suppliers and ensures they are not being managed by their supplier.

For many suppliers, it will not be necessary to spend significant resources building a relationship, and an operational-type management style will be sufficient, but for others it may be necessary to enter into full relationship management. This will not be a simple option but it requires a drive for continuous improvement and on-going communication management, cost management and benchmarking to effectively and efficiently realize its potential (Nantege G. 2011),

2.3.5 Category Management and Spend Management

The need for category management comes from the repetitive purchasing of products and services with common characteristics (i.e. cartridges, paper, etc.) These products typically have common internal customers, allowing for the opportunity to aggregate spend. Grouping them into categories (across both direct and indirect areas of the business) enables efficient management of these products/services for the company, (Barney, J. 2008).

Successful spend management is tied to the ability to plan purchases. When companies know how much and when they will buy, and possess the ability to proactively plan for this spend, then they can engage in spend management. Spend management may impact the cost per unit as well as the number of units purchased (demand management). Knowing what to buy and when to buy it is critical in efficient allocation of resources and may be the basis for decision to be made on what need to purchased centrally and what to decentralize (Mohamed, 2012)

2.3.6 Tools and Technology Utilization

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

Research on the application of technology to support procurement is abundant, results clearly show that the use of new technologies increase the efficiency of the procurement as well as improve overall firm performance. However adoption of technologies in organization operations is occurring at a slower pace than expected and such delays will make organization to miss opportunities and expose them to unfavorable completion (Barney 2008).

2.4 Benefits of Strategic Procurement

SRM allows procurement officers to develop strategies for dealing with suppliers to achieve ongoing value for money, and reduce the risk of poor performance or non-delivery or non-availability, (Rwoti, 2005). It allows the procurement organization to focus effort on the right suppliers and ensures they are not being managed by their supplier.

Standardizing strategic contracts, and including enterprise approved terms and language in key clauses such as liability, attrition, cancelation, confidentiality and more, will ensure the commercial banks are assured that all legal, corporate and regulatory requirements are met, reducing risk at all levels particularly the financial penalties that can result from loosely constructed contracts.

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

In commercial banks this will reduce on the operational cost emanating from hard cash holding limits and other supplies thus helps to increase flexibility of service to customer by demanding it from partnered supplier through the technological platform for example EDI and synchronized data systems (Kiragu, R. 2012).

2.5 Challenges Facing Strategic Procurement

Most organizations are facing a problem of rapid changes in procurement requirements. The changes are impacting pressure on how the procurement function performs its internal and external processes and procedures in order to achieve its objectives. Kakwezi and Sony (2010) noted that, the ability of any organization to realize procurement goals is influenced by internal force and external force. These Interactions between various departments, professionalism, staffing levels and budget resources, procurement organizational structure whether centralized or decentralized, procurement regulations, rules, and guidance, and internal control policies, all need attention and influence the performance of the procurement function.

Strategies are more easily formulated than implemented. Implementation of workable strategies may require considerable patience on the part of procurement managers. Lysons and Farrington (2006) asserts that suppliers will take time to ride the learning curve in terms of doing business with the firm which may include understanding the firm's values, quality requirements among others. This therefore becomes a challenge in situations where mistrust prevails among the partners.

According to Thai (2001) Public and (private for this discussion) procurement practitioners have always walked on a tight rope. Their ability to accomplish procurement objectives and policies is influenced very much by internal forces including: Interactions between various elements of the procurement systems, various actors and sub-agencies within a department or executive agency and actors and organizations external to sub-agencies; Types of goods, services and capital assets required for an agency's missions; Professionalism or quality of procurement workforce; Staffing levels (e.g., ratio of procurement practitioners to contract actions) and budget resources; Procurement organizational structure such as the issue of centralization vs. Decentralization; Procurement regulations, rules and guidance; and Internal controls and legislative oversight. It is clear that procurement practitioners have always faced challenges imposed upon by a variety of environment factors including market, legal environment, political environment, organizational environment, and socio-economic and other environmental factors.

2.6 Procurement Performance

While functions like Human Resource and Finance can have their performance measured, this is not the case with the procurement function. The failure to establish performance of the procurement function has led to irregular and biased decisions that have costly consequences to

every entity. CIPS Australia, (2010) reported that many CFOs are quoted saying that procurement department is or is not doing well but they cannot explain the measures used to arrive to such conclusion.

Various procurement performance measurement systems (PPMS) have been documented by different scholars but no single system is universally accepted. Each firm needs to carefully select a procurement performance system that uniquely supports the realization of its objectives. Some of PPMS include; the Balance Scorecard, the performance pyramid system that links strategy with operations and the performance prism that adopts a stakeholder centric view of performance. Handfield, R. B. (2009) asserts that modern procurement and supply chain performance measurement systems contain a variety of measures which falls into two major categories: effectiveness measures and efficiency measures. Effectiveness refers to the extent to which by choosing a certain course of action, management can meet a previously established goal while efficiency refers to the relationship between planned and actual sacrifices made to realize a previously agreed-upon goal.

Efficiency is measured against budgeted cost where the end result is product or service cost. Effectiveness of procurement on the other hand considers indicators such as; supplier quality, delivery management, flexibility of suppliers, material quality defects, supplier profile, inventory incoming on-time, order cycle time, documentation among others. All these measures are intended to evaluate strategic procurement contribution to profit, supplier relations and customer satisfaction (CIPS 2010). It is critical to have such performance measures to help an organization to; support better decision making, improve communication among the procurement partners, provide opportunity for performance feedback that will be used to prevent or correct problems identified in the process, with a view of motivating and directing behaviors towards the desired end result.

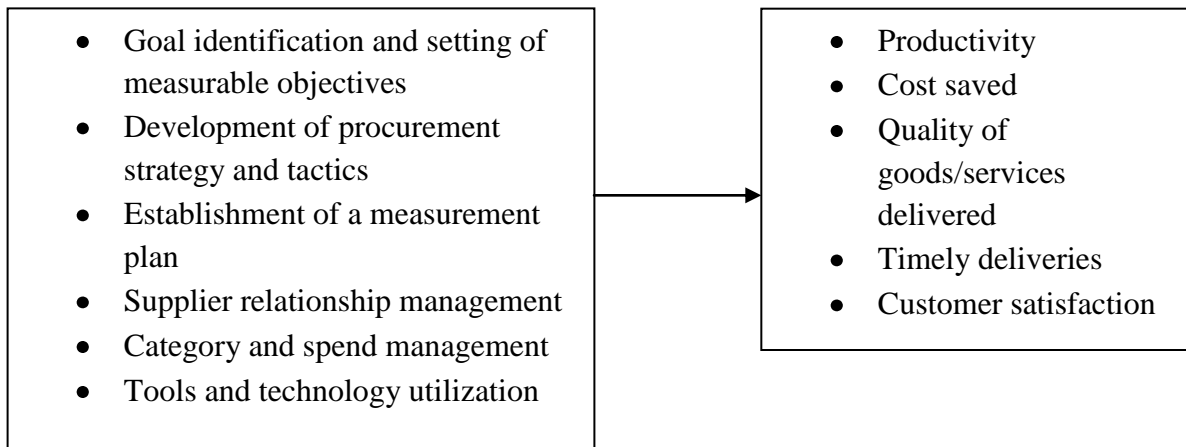
Some of the key performance indicators to measure in a supplier relationship include; Quality product offered to the total deliveries, on-time delivery requested and confirmed, supplier rating score, supplier innovation, % of revenue from existing and new products/services, contract compliance. It is critical for Procurement, especially in the Indirect Spend categories, to track customer satisfaction and engagement. One of the mechanisms to do this is customer satisfaction survey process (Marika, L. 2010). It is indeed in top agenda for every organization to find out how the customers feel about the goods and services offered by the company. Customer satisfaction index could be of importance especially where organization intends to benchmark its services.

2.7 Conceptual Framework

Independent variable

Dependent variable

Strategic procurement practices → Procurement Productivity



The figure above describes the relationship between the variables of study. Accordingly, strategic procurement practices serves as the independent variable while procurement performance is the dependent variable. For the purpose of this study, strategic procurement variables include; goal identification, development of procurement strategy and tactics,

establishment of a measurable plan, supplier relationship management, category and spend management and tools/technology utilization.

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

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter gives the methodology that was used to accomplish the already established research objectives. Here the research design, target population, data collection and data analysis are discussed.

3.2 Research Design

The study used descriptive and analytical research designs which involved qualitative and quantitative research in form of a survey so as to describe observations and examine the findings to come up with conclusions by a correlation between strategic procurement as an independent variable and procurement performance as a dependent variable and recommendations for implementation.

3.3 Target population and sample design

A population is a well-defined or set of people, elements, group of objects, households etc. that a researcher targets for investigation (Mugenda, 2003). The research targeted all the commercial Banks currently operating in Kenya. There are 43 commercial Banks in Kenya which formed the target population of this study. All 43 commercial Banks in Kenya were approached hence a census survey.

3.4 Data collection

The study used primary data that was collected through structured questionnaires. The drop and pick self-administered questionnaires were distributed to procurement officers, operations managers and accountants in each Bank as they are the people who are well versed with the procurement practices in their respective Banks. The questionnaire has part A for demographic

data part B to help answers relating to first objective of determination of strategic procurement planning practices employed by Banks, while part C sought answers to address second objective relating the benefits of strategic procurement planning, while D helped to identify hurdle hampering implementation of strategic procurement and finally part E helped answer third objective by finding a correlation between strategic procurement planning and procurement productivity.

3.5 Data analysis

The completed questionnaires were edited for completeness and consistency. Descriptive technique was employed to analyze data collected, where statistical measure of central tendency like mean, standard deviation were utilized to analyze objective one, two and three of the study.

To achieve objective four, a factor analysis was conducted to determine how strategic procurement practices relate to the procurement productivity. The regression model below was used:-

$$Pp = \beta_0 + \beta_1 ps + \beta_2 sr + \beta_3 + \beta_4 + e$$

Where Pp= Procurement Productivity, β_0 PF where all independent variables are equal to zero, β_1 Coefficients of respective strategic procurement practices, β_2 = goals and measurable objectives, ps= procurement strategy, β_3 = Measurement Plan, sr= supplier relationship, β_4 = category and spend management, tu= technology utilization and e= error term

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the research findings on an investigation to establish the relationship between strategic procurement practices and procurement performance. The study was conducted on all commercial banks in Kenya. The corresponding interpretations also follow each presentation. The results of the study are presented according to the objectives and research questions. The findings in this chapter were also arrived at by analyzing and interpreting the available data using SPSS software. All the responses are presented in terms of frequencies and percentages which are displayed in tables. The hypothesis and each question were treated separately. The statistical data from the quantitative part of the questionnaire was then supported by the qualitative data of the study from the questionnaire. The qualitative data was analyzed based on 1- very large extent to 5-small extent scale rate.

A total of forty (43) questionnaires were distributed to procurement staffs in all commercial Banks in Kenya of which thirty nine (39) were returned. The response rate for the distributed questionnaires was therefore ninety one percent (91%). This is a very high response rate which is good for research as any response rate above 70 % is good and adequate for analysis and reporting, (Mugenda 2003).

4.2 Characteristics of the Respondents

The background information of the respondents was considered necessary because the ability of the respondents to give satisfactory information on the study variables may be affected by their background. This information was about the respondents' current position in employment and the level of education. The level or current position of employment was used as one of the respondents' characteristics so as to ascertain the respondents' experience with the bank

procurement operations. From the study, most of the respondents worked as operations managers in various commercial bank (33%); 26% were procurement managers, 23% were accountants in their respective commercial Banks while the remaining 18% held varying position such credit managers, customer care managers quality compliance managers and so on. Most of the respondents (82%) had worked with the commercial banks as procurement officials and this provided responses based on a wider knowledge base of the bank procurement operations as indicated in Table 1 below.

Table 4.1: position of respondents

Position	Frequency	Percentage
Procurement manager	10	26%
operation manager	13	33%
Accountant	9	23%
Others	7	18%
TOTAL	39	100%

Source: Primary Data 2013

On one hand the study sought to establish the education levels of the respondents. The level of education and training is key factor and ingredient in the determination of how successful procurement function will be. The findings of this research are summarized in table 4.2

Table 4.2 Education Levels of the Respondents

Education Level	Frequency	Percent
Bachelor Degree	16	41%
College/University Diploma	11	28%
Master Degree	9	23%
Others	3	8%
Total	39	100%

Source: primary data 2013

The findings of the study indicates that 41% of the respondents had at least a bachelor degree, while 28% and 23% had college/university and master degree respectively. The remaining 8% had other qualifications and none of the respondent had a PhD. Generally, procurement officers of these respective commercial banks have at least a college/ university diploma signify the importance of such skills in banks' procurement function.

4.3 Strategic procurement Practices

The researcher sought to know the extent to which commercial banks in Kenya were utilizing the six strategic procurement practices mainly; clear goal identification and setting measurable objectives, development of strategies and tactics, supplier relationship management plan, measurement plan, category management and spend management plans and technology utilization. The findings are summarized in table 4.2 below.

From the table below, the study revealed that based on a scale of 1-very great extent to 5- very small extent, the overall weighted mean from all the strategic procurement practices was 2.12 which was above the basic scale mean of 3.0. Based on the above scale, the respondents were agreeable to the fact that strategic procurement practices were evident in the procurement department of all commercial banks in Kenya.

The study also revealed that the top management supports the implementation of procurement strategic plans and tactics. This is supported by a strong mean of 1.87 and a low standard deviation of 0.570 which indicates a small variation in opinion in response to the question on whether the top management supports the procurement strategies. This therefore shows that top management of these banks was aware and supported the procurement strategies.

Table 4.3 Strategic procurement Practices

	Mean	STD DEV.
Bank's top management supports the implementation of strategic procurement plan.	1.87	0.570
The strategies and tactics are based on the Bank's strengths and opportunities available.	1.90	0.641
The bank has a list of pre-qualified suppliers who are reliability.	1.92	0.839
Goals in the strategic plan are well aligned with the Bank's vision and mission.	2.05	0.686
The bank has put in place a precise measurement to help assess the progress of procurement performance.	2.08	0.774
There are strategies and tactics to help achieve procurement goals.	2.10	0.754
Findings of the procurement progress are discussed by the Bank's procurement management for remedial action.	2.13	0.767
The Bank establishes a relationship with suppliers way before the first order is placed.	2.13	0.894
Categories help purchasing of goods/services either centrally or decentralized.	2.13	0.894
The Bank has a strategic procurement plan in place.	2.15	0.630
The bank's procurement measurement plan help in tracking procurement progress.	2.16	0.754
The bank audits the Suppliers regularly to terminate relationship with Non-performing ones.	2.18	0.834
Goods and services purchased by the bank have clear categories for easy spend management.	2.18	0.721
The Bank's procurement users have access to the online procurement system.	2.18	1.062
The Bank has an integrated procurement system in place	2.22	1.098
The Bank's procurement information is shared online.	2.46	1.097
Weighted Mean	2.12	

Source: Primary data 2013

The respondents were also asked if the strategies and tactics employed by banks were in line with the strengths and opportunities available to individual Banks. The respondent strongly agreed that their banks were aware of their individual strengths and opportunities available in the execution of the strategic procurement practices. The mean was found to be 1.90 and a standard deviation of 0.641 which is evidence that, commercial banks in Kenya pay attention to strategic procurement practices to take advantage of the available opportunities.

The study sought to find out if the banks had a procurement measurement plan in place and if the findings of this measurement are discussed to help track procurement progress. The mean of 2.08 was strong and a low standard deviation of 0.774 indicates that the respondents' opinion variation was low and therefore supports the assertion that a procurement measurement plan is critical in strategic procurement of commercial banks in Kenya.

The researcher also wanted to establish if banks had integrated procurement system in place where users have access to online information. There was a strong agreement that to a great extent commercial banks in Kenya have the online procurement system in place. There was a strong mean of 2.18 and a low a standard deviation of 1.062 which further strengthened the statement.

4.4 Benefits of strategic procurement practices to commercial Banks in Kenya

The study sought to establish the benefits of a strategic procurement to commercial Banks in Kenya and the findings are summarized as shown in Table 4.4 below. The responses relating to the second Objective of the study indicates that, respondents are aware to a great extent of the benefits that accrue as a result of the Banks in Kenya adopting strategic procurement practices.

Table 4.4 Benefits of Strategic Procurement Practices

Benefits of strategic procurement	Mean	Standard deviation
Leads to dealing with the right suppliers.	2.10	0.680
Online procurement facilitates effective information sharing.	2.15	0.709
Helps the organization to gain competitive advantage.	2.15	0.670
Influences the continuous improvement of the procurement function.	2.15	0.745
Helps in compliance in terms of legal, corporate and regulatory requirements.	2.23	0.742
Supplier relationship management reduces risks of poor performance by suppliers.	2.24	0.714
Leads to product/service innovation due to good relationship with suppliers.	2.26	0.785
Strategic goals are a source of motivation to procurement officers.	2.38	0.877

Source: Primary data 2013

The respondents agreed that strategic procurement practices among the commercial banks in Kenya leads to Banks dealing with the right suppliers. With a strong mean of 2.10 and a low standard deviation of 0.680 of respondents' opinions, then the strong agreement is an indication of the role strategic procurement plays in prosperity of the commercial Banks in Kenya.

The respondents were also asked to rate the statements; online procurement facilitates information sharing and that supplier relation management reduces the risk of poor performance by suppliers. A strong mean of 2.15 and a low standard deviation of 0.709 further strengthen the agreement. On one end supplier relationship management was found out to help reduce risk of poor performance by suppliers. A mean of 2.24 and a standard deviation of 0.714 strongly support the statement.

The study sought to know if strategic procurement practices help in legal and regulatory compliance with product innovation due to good relationship with the suppliers. The findings support the statements, with a mean of 2.23 and a low standard deviation of 0.742 is in strong agreement of the statement.

The other benefits of strategic procurement practices also had strong responses;gaining competitive advantage had a mean of 2.15 and standard deviation of 0.670, motivating procurement staff with a mean of 2.38 and a standard deviation of 0.877, and leading to continuous improvement of procurement function having a mean of 2.15 and a low standard deviation of 0.745.The means are within the strong region of between 1- very large extent and 3- moderate extent and the low standard deviations strongly show the responses agreement with the various statement.

4.5 Challenges Facing Strategic Procurement

The table 4.5 below summarizes the findings of the study in relation to the challenges faced in the implementation strategic procurement by commercial Banks in Kenya. The researcher sought to establish the challenges facing the implementation of strategic procurement by commercial Banks in Kenya, to a great extent the respondents agreed that suppliers don't understand the quality requirement or standards of the banks. The mean of 2.59 indicated a strong agreement with a moderately low standard deviation of 0.850. The bank`s structure was also seen to be a key factor in the implementation of strategic procurement with a mean of 2.54 and a standard deviation of 0.822. These statistics are strong indicators of the role the structure of the bank plays in success of the procurement function.

Table 4.5 Challenges facing implementation of strategic procurement by commercial Banks in Kenya.

Challenges facing strategic procurement	Mean	Standard deviation
The Bank's structure supports the implementation of strategic procurement	2.54	0.822
Suppliers don't always understand the quality standards of the Bank	2.59	0.850
Procurement staffing level are inadequate for the realization of strategic procurement in the Bank.	2.64	0.963
The Bank's internal regulations have been an impediment to the success of strategic procurement.	2.82	1.029
Procurement staffs are not well trained to implement strategic procurement practices in the Bank.	3.03	1.088
Political interference has hampered the realization of strategic procurement in the Bank.	3.15	0.875

Source: Primary data 2013

The study sought to know if the procurement staffing levels and training were inadequate thus negatively impacting on the success of the procurement function, there was a mean of 2.64 and a standard deviation of 0.963. It is evident that the respondents are in strong agreement that low procurement staffing level is an impediment to the successful implementation of strategic procurement practices. However, findings from the study show that inadequate training of procurement staffs moderately affects the strategic procurement. The mean of 3.03 and a standard deviation of 1.088 which is neither high nor low is an indicator that the respondents' level of training is sufficient to handle strategic procurement implementation.

Though internal regulation was seen as an impediment to successful implementation of strategic procurement with a mean of 2.82, the standard deviation of 1.029 indicated a moderate variance in opinion. Majority of the respondents agreed to a moderate extent that political interference was an impediment to implementation of the strategic procurement practices among the commercial banks in Kenya. A mean of 3.15 was above the strong range of between 1 and 3. The standard deviation of 0.875 was also moderately high, varying the opinion of the respondents.

4.6 Strategic Procurement Practices and Procurement Performance

The summary of the findings of the study are as below in table 4.6. The researcher sought to know if the six procurement practices lead to improved procurement performance. The mean of 2.13 and a moderately low standard deviation of 0.894 strongly support the statement and the respondents agree to a great extent that indeed supplier relationship management influences positively the delivery of goods and services just in time (JIT). With a strong mean of 2.38 and a standard deviation of 0.815, most of the responded agreed to a great extent that category and spend management help in procurement cost savings. The moderately low standard deviation further strengthened the agreement with variance in opinion slightly differing. The respondents mean lie in the strong range of between 1 and 3 clearly acknowledging the fact that procurement performance depend on the whole procurement strategic practices.

Table 4.6: procurement practices and procurement performance of commercial Banks

Procurement performance	mean	Standard deviation
The Banks procurement strategy leads to quality goods and services being offered by suppliers to the Bank.	2.13	0.894
The procurement measurement plan continuously gives progress on procurement activities hence improved procurement productivity.	2.15	0.709
Supplier relationship management leads to delivery of goods and services just in time as planned by the Bank.	2.18	0.790
The bank's procurement strategies leverage on strengths which leads to high procurement productivity.	2.21	0.741
Supplier relationship management leads to reliability of supplies to Bank.	2.28	0.793
Spend management leads to cost reduction of purchases in the bank.	2.38	0.815

Source: primary data 2013.

The study sought to establish the relationship between the independent variables and dependent variable. The following tables attempted to give the relationship in regression model as follow.

$$PP = \beta_0 + \beta_1 PS + \beta_2 MP + \beta_3 SR + \beta_4 CS + \beta_5 TU + e$$

Where PP= Procurement Productivity, β_0 PP where all practices are equal to zero, β_1 Coefficients of respective strategic procurement practices, β_2 = goals and measurable objectives, ps= procurement strategy, β_3 = Measurement Plan, sr= supplier relationship, cs= category and spend management and tu= technology utilization.

Table 4.7 Coefficients of variables

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	60.091	12.404		4.845	.000
	Aligned goals	-1.466	5.422	-.060	-.270	.789
	Has procurement Plan	10.892	5.982	.428	1.821	.081
	Assess procurement progress	-1.633	4.460	-.099	-.366	.717
	Pre-qualified list	2.070	4.659	.115	.444	.661
	Categories for easy management	.987	5.207	.047	.190	.851
	Integrated procurement system	-1.719	3.426	-.124	-.502	.620

a. Dependent Variable: Rate of procurement productivity

The p-values for the six variables as indicated in the table are all greater than the significance level $p = 0.05$ ($0.789 > 0.05$, $0.081 > 0.05$, $0.717 > 0.05$, $0.661 > 0.05$, $0.851 > 0.05$ and $0.620 > 0.05$).

With this therefore the model is a poor predictor of the relationship between the independent variables and the dependent variable as the significance levels (p-values) are not within the acceptable levels $p < 0.05$.

Table 4.8 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.437 ^a	.191	-.003	15.499

Source: Primary data 2013

More importantly, the six predictor variables (integrated procurement system, procurement Plan, aligned goals, categories for easy management, pre-qualified list, assess procurement progress) all combined could only account for 19.1% of the total variation in procurement performance ($R^2 = 0.191$). This implies that, the remaining 80.9% of the variations in procurement performance are as a result of other factors not covered by this study. The standard error of 15.499 is also high, there is need to improve on the model by incorporating more factors to make it more reliable and effective.

Table 4.9 ANOVA of Procurement Practices and Procurement Performance

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1415.799	6	235.967	.982	.458 ^a
	Residual	6005.701	25	240.228		
	Total	7421.500	31			

Source: primary data 2013

Despite the low level of significance the regression model was presented as follows:

$$PP = 60.091 - 1.466gm + 10.892ps - 1.633mp + 2.070sr + 0.987cs - 1.719tu$$

The F-test value 0.982 is very low and therefore the regression model is statistically not significant. The p-value (0.458) from the ANOVA table 4.9 indicate that $0.458 > 0.05$ which implies that the model is not significant. Though the model has a lower significance level in prediction of the procurement performance, the respondents in table 4.6 to a great extent have indicated a strong positive relationship between the six independent variables and procurement performance. The respondents were asked to indicate if banks procurement strategies lead to quality of goods and services procured. A mean of 2.13 and a standard deviation of 0.894 strengthened the statement. The study also sought to know if the procurement measurement plan helped to improve procurement performance. A strong mean of 2.15 and a low standard

deviation of 0.709 reflect the respondents' agreement with the statement. The researcher also sought to know whether supplier relationship management led to reliable supplies. A mean of 2.28 was also high and a low standard deviation of 0.793. With these entire mean being within the strong range (1=very great extent and 3= moderate extent) and very low standard deviation we conclude that there is a correlation between the strategic procurement practices and the procurement performance.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The study established a number of findings, the summary of the findings are outlined here under; The study was based on six strategic procurement practices which included; clear goal identification and setting measurable objectives, development of strategies and tactics, supplier relationship management plan, measurement plan, category management and spend management plans and technology utilization. The results indicated that, the commercial Banks undertake all these strategic practices as part of their strategic procurement management. The study established that the relationship between strategic procurement practices and procurement performance was positive.

5.2 Summary of the Findings and discussions

The objective number of the study was to establish if strategic procurement was actually being practiced by commercial banks in Kenya. The researcher used arithmetical mean when evaluating and analyzing the answers from the study. For any arithmetic mean below 3.0, it was considered a connection between the answers, and if the mean was 2.0 it was proposed that the connection was strong to a great extent.

The finding in this section scored a mean of between 1.0 and below 3.0; this therefore indicates that commercial banks in Kenya do pay attention to strategic procurement practices. Findings were supported by (Magnus, B. 2006), who said that strategic procurement is seen as one of the critical function of an organization with the potential to; save cost, improve operational efficiency, access to trusted suppliers, and improve in quality of product or service, and sharing of best practices among others.

The second objective of the study was to find if there were benefits of strategic procurement. There was a significant positive relationship between the strategic procurement and the benefits to commercial banks. The arithmetic mean of 2.206 implies that having strategic procurement in place is beneficial to the whole procurement function in its endeavors. These findings supported the hypothesized suggestion of various benefits that accrue when an organization practices strategic procurement. Findings were supported by Van Weele (2006) who asserts that Organization's management on the other hand greatly stands to use the clearly defined purpose and activities in comparing with the procurement results so that progress can be determined. More importantly the buying firm gets value for money through competitive procurement process from the available range of suppliers. For any purchase to take place in a strategic procurement, it has to start with what is needed in the organization thereby eliminating possibilities of wastes in the procurement process.

Several challenges were researched and found to be an impediment to the successful implementation of the strategic procurement. The findings however suggest that inadequate training and political meddling were not seen as hindering the successful implementation of strategic procurement. The findings are supported by Kakwezi and Sony (2010) who noted that, the ability of any organization to realize procurement goals is influenced by internal force and external force. These Interactions between various departments, professionalism, staffing levels and budget resources, procurement organizational structure whether centralized or decentralized, procurement regulations, rules, and guidance, and internal control policies, all need attention and influence the performance of the procurement function. Majority of the respondent indicated that banks had solutions to internal challenges affecting implementation of strategic procurement practices.

Objective four of the study was to establish the relationship between strategic procurement and the procurement performance, the finding was strong linking positive relationship between the two variables. Though the regression model presents a weak prediction, the other results in this section shows that procurement practices thus influences the procurement performance. All the findings showed some significant relationships among the variables and cases of ANOVA and T-TESTS, the findings showed that strategic procurement practices among the commercial Banks influence the procurement performance as a whole. The regression model also linked the procurement practices and the procurement performance and the relationship of the variable can be used to predict procurement performance.

5.3 Conclusions

From the summary findings above, it can be concluded that, strategic procurement practices and the procurement performance of commercial banks in Kenya are positively related i.e. with proper strategic procurement practices, the bank's procurement performance is positively affected and where the procurement is not proper, then the performance is negatively affected. The hypothesis that strategic procurement practices positively affects the procurement performance should be accepted based on the results shown in the summary findings above. Commercial banks in Kenya should therefore emphasize its strong points (variables with mean of greater than 3) while working on improving its weak areas (variables with mean of less than 3).

The summary of strategic procurement benefits with the variable summary above the scale mean of 3 at 2. It can therefore be concluded that, commercial banks in Kenya have a lot to benefit by practicing strategic procurement.

5.4 Recommendations

The findings of the study showed that there is great need for banks to improve their performance through proper procurement management as described by the respondents on the contribution of procurement management to banks procurement performance. Although strategic procurement practices may not be the only contributing factor to procurement performance, it is imperative that banks review their existing procurement systems in order to identify the weak points and fasten them accordingly as this directly affects their procurement performance. In light of the conclusions above, below are the recommendations suggested; The bank should establish a procurement unit with qualified, skilled and knowledgeable personnel to spearhead the procurement operations in order to streamline most of the existing weaknesses in the procurement controls, the banks should undertake to do market capability analysis as part of its procurement management. This will allow the banks to assess the ability of the market to meet its required goods and services in the right quantities and quality in the right timings. The banks should also work on having reliable suppliers whose delivery schedules are realistic and within the bank's requirements. This will minimize emergency purchases that are normally expensive and therefore negatively impact on the performance of the bank. The bank should also undertake to have prequalified suppliers so that the procurement process is shortened for routine purchases and this too, will help establish long term relationships with the suppliers and thereby, better bargaining power.

5.5 Limitation of the study

Although the study was meant to establish the relationship between strategic procurement practices and procurement performance among the commercial banks in Kenya, it was only

limited to six procurement practices. The study was also limited to one respondent in each of the 43 commercial banks in Kenya due to time limit and financial resources.

5.6 Suggestions for Further Research

The study was limited to six attributes of strategic procurement and few variables of performance measures. There is a need for future research to replicate the findings employing multi-disciplinary measures of bank performance and wider coverage of strategic procurement management. The key reason for the responses to strategic procurement initiatives is to ensure organization survival through mitigation of threat to take advantage of the opportunities by aligning the organization and the procurement through a strategy. The study recommends further research could be conducted to determine the effect of strategic procurement on financial performance among the commercial banks in Kenya. The study will bring closer the financial effect of strategic procurement practices on the overall performance of commercial banks in Kenya

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APPENDICES

Appendix I: Research Questionnaire

PART A: Demographic Profile

(Tick where appropriate)

1. Position/Designation

Procurement Manager [] Operations Manager [] Accountant []

Others [] (specify).....

2. Educational Level

(Tick where appropriate)

[] college/ University Diploma [] Bachelor Degree [] Master Degree [] PhD

[] Others (specify).....

PART B: Strategic Procurement planning Practices

3. Kindly indicate the extent to which the Bank implement/practice the following activities relating to strategic procurement planning

1= Very great extent, 2= Great extent, 3= Moderate extent, 4=Small extent and 5= very small extent

Strategic procurement practices	1	2	3	4	5
The Bank has a strategic procurement plan in place.					
Goals in the strategic plan are well aligned with the Bank's vision and mission.					
Bank's top management supports the implementation of strategic procurement plan.					
There are strategies and tactics to help achieve procurement goals.					
The strategies and tactics are based on the Bank's strengths and opportunities available.					

The bank has put in place a precise measurement to help assess the progress of procurement performance.					
The bank's procurement measurement plan help in tracking procurement progress.					
Findings of the procurement progress are discussed by the Bank's procurement management for remedial action.					
The bank has a list of pre-qualified suppliers who are reliability.					
The Bank establishes a relationship with suppliersway before the first order is placed.					
The bank audits the Suppliers regularly to terminate relationship with Non-performing ones.					
Goods and services purchased by the bank have clear categories for easy spend management.					
Categories help purchasing of goods/services either centrally or decentralized.					
The Bank has an integrated procurement system in place					
The Bank's procurement users have access to the online procurement system.					
The Bank's procurement information is shared online.					

PART C: BENEFITS OF STRATEGIC PROCUREMENT PRACTICES

4. To what extent has your bank realized the following benefits due to procurementstrategicpractices?

1= Very great extent, 2= Great extent, 3= Moderate extent, 4=Small extent and 5= very small extent

Benefits of strategic procurement	1	2	3	4	5
Leads to dealing with the right suppliers.					
Online procurement facilitates effective information sharing.					
Supplier relationship management reduces risks of poor performance by suppliers.					
Helps in compliance in terms of legal, corporate and regulatory requirements.					
Leads to product/service innovation due to good relationship with suppliers.					
Helps the organization to gain competitive advantage.					
Strategic goals are a source of motivation to procurement officers.					
Influences the continuous improvement of the procurement function.					

PART D: CHALLENGES FACING STRATEGIC PROCUREMENT

5. Please indicate to what extent the following challenges have affected strategic procurement in your Bank. Where 1= Very great extent, 2= Great extent, 3= Moderate extent, 4=Small extent and 5= very small extent

Challenges facing strategic procurement	1	2	3	4	5
Suppliers don't always understand the quality standards of the Bank					
The Bank's structure supports the implementation of strategic procurement					
Procurement staffing level are inadequate for the realization of strategic procurement in the Bank.					
Procurement staffs are not well trained to implement strategic procurement practices in the Bank.					
The Bank's internal regulations have been an impediment to the success of strategic procurement.					
Political interference has hampered the realization of strategic procurement in the Bank.					

PART E: PROCUREMENT PERFORMANCE

6. Kindly indicate the extent to which you agree with the following statements concerning the effect of strategic procurement planning on procurement performance

1= Very great extent, 2= Great extent, 3= Moderate extent, 4=Small extent and 5= very small extent

Procurement performance Measures	1	2	3	4	5
The Banks procurement strategy leads to quality goods and services being offered by suppliers to the Bank.					
Supplier relationship management leads to delivery of goods and services just in time as planned by the Bank.					
Supplier relationship management leads to reliability of supplies to Bank.					
Spend management leads to cost reduction of purchases in the bank.					
The bank's procurement strategies leverage on strengths which leads to high procurement productivity.					
The procurement measurement plan continuously gives progress on procurement activities hence improved procurement productivity.					

8 Please give the following procurement performance data in your Bank in 2012 as indicated in the table.

Procurement performance	2012
Rate of procurement productivity	
Procurement cost saved (%)	
Quality goods/services supplied (%)	
Good/services supplied just in time (%)	
Customer satisfaction index (%)	

Appendices II: Commercial Banks in Kenya

1. Africa Banking Corporation Limited
2. Bank of Africa Kenya Limited
3. Bank of Baroda Kenya Limited
4. Bank of India
5. Barclays Bank Kenya Limited
6. CFC Stanbic Bank Kenya
7. Chase Bank Kenya Ltd
8. Citibank N.A. Kenya
9. City Finance Bank Ltd
10. Commercial Bank of Africa ltd
11. Consolidated bank of Kenya Ltd
12. Co-operative Bank of Kenya
13. Credit Bank Ltd
14. Credit Finance C Bank Ltd
15. Development Bank of Kenya Ltd
16. Diamond Trust Bank Kenya Ltd
17. Dubai Bank Kenya Ltd
18. Eco Bank Kenya Ltd
19. Equatorial Commercial Bank ltd
20. Equity Bank
21. Family Bank Limited
22. Fidelity Commercial Bank Ltd
23. Fina Bank ltd
24. First Community Bank Ltd
25. Giro Commercial Bank
26. Gurdian Bank Ltd
27. Gulf African Bank Kenya
28. Habib Bank A.G Zurich
29. Habib Bank Ltd
30. Imperial Bank ltd
31. Investment and Mortgages Bank Ltd
32. Kenya commercial Bank Ltd
33. K-Rep Bank Ltd
34. Middle East Bank Kenya Ltd
35. National Bank of Kenya ltd
36. National Industrial Credit Bank Ltd
37. Oriental commercial Bank Ltd
38. Paramount Universal Bank Ltd
39. Prime Bank Ltd
40. Standard Chartered Bank Ltd
41. Trans-National Bank Ltd
42. UBA Kenya Bank Ltd
43. Victoria Commercial Bank Ltd

Source: Central Bank of Kenya Report 2012

