

**THE IMPACT OF STRATEGIC PROCUREMENT IN
COMMUNICATIONS COMMISSION OF KENYA**

BY

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DECLARATION

This is my original work and has not been submitted to any institution or university for examination.

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This research project has been presented for examination with my approval as university supervisor

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DEDICATION

I dedicate my project to my ever supportive family.

I owe my deepest gratitude to my entire family for enormous support; both emotionally and financially.

This project would not have been successfully completed without the love and patience from my wife and children, I sincerely thank them.

I am as ever, especially indebted to my parents for the love and support throughout my life.

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Firstly to Almighty God who consistently reassures me that with Him all things are possible.

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ABSTRACT

The impact of procurement in government procurement units is driven by the contribution of the function to overall corporate performance and its interface relationships; much has been written about procurement strategy, but the actual impact of procurement strategy on corporate performance in Kenyan government has been neither empirically substantiated nor rigorously examined. The purpose of this study was to establish the impact of strategic procurement in the Kenyan service sector with a specific focus on CCK. The specific objectives of the study were; to establish the impact of procurement in organizational performance in Kenyan government procurement units, to determine the major challenges affecting procurement in government and to find out effective measures that can be employed to address the procurement challenges in government.

This research problem was solved through the use of a case study. The target population of this study was all the employees in the procurement department and the user departments of CCK situated in CCK's Centre in Nairobi. For the purpose of this study the primary target was be 38 employees who have the knowledge of procurement in terms of being the users or in procurement department. The research employed a census method due to the small size of the population. The study used both primary and secondary data. Primary data was collected using semi-structured questionnaires. The questionnaires correctly filled were coded and all the data entered into statistical package for social sciences and analyzed based on descriptive statistics.

Study findings indicated that strategic procurement at CCK has brought with it benefits such as reduced costs, continuous and meaningful engagement with procurement professionals and partners to inform strategy and drive quality, promoted and specified continuous improvements in quality and outcomes through provider innovation and configuration and has stimulated coordination of the sourcing and other departments of the organization. Challenges facing procurement at CCK, included unprecedented changes and volatility in the technological environment, lack of requisite skills in employees to undertake strategic procurement, lack of management commitment to

strategic plans and inadequate adherence to formulated strategies. Lack of cooperation and teamwork during implementation, misalignment of strategic procurement plans with the company culture and non-alignment of the strategic plans to the leadership were other major challenges.

The study recommends that procurement should always be considered as a strategic player in the value chain as it usually represents one of the largest expense items in a firm's cost structure especially government agencies. The study also recommends that organizations should ensure they have competent employees in procurement and strategic management to chart a way forward for the procurement function. The organization should analyze how effective its staff development plan is at increasing the professional competence and standing of the supplies management function. Successful implementation of value-based management in this complex procurement function requires well-trained and educated employees. The study also recommends a review of the public procurement and disposal Act 2005. This should be reviewed to ensure that it is aligned with the values and practicalities of the procurement function in Kenya.

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ABBREVIATIONS AND ACRONYMS

CCK	Communications Commission of Kenya
GDP	Gross Domestic Product
ICT	Information Communication Technologies
KP&TC	Kenya Post & Telecommunication Corporation
OM	Operations Management
PPAB	Public Procurement Advisory Board
PPARB	Public Procurement Administrative Review Board
PPOA	Public Procurement Oversight Authority
RBV	Resource Based View
TI	Transparency International

CHAPTER 1: INTRODUCTION

1.1 Background of the Study

Strategic sourcing and supplier development have become important elements in the competitive strategies of firms faced with the challenge of shaving their costs and increasing efficiency without compromising quality and customer service (McCue and Prier, 2006). Procurement could focus, opportunistically, on the short-term superiority of bargaining power (Cox, 2005) and extract maximum cost reductions (Nollet and Beaulieu, 2005). Alternatively, recognizing that good supply chain management requires a long-term perspective (Tummala *et al.*, 2006), government procurement could take a more strategic perspective, reflecting its uniqueness from the private sector (Murray, 2001), improving its strategic contribution and meaningful involvement (Johnson and Leenders, 2003) through accelerating the economic growth.

Procurement is considered as a strategic player in the value chain as it usually represents one of the largest expense items in a firm's cost structure. According to Hawking *et al.* (2004), the procurement of goods and services represents the single largest cost item for any given enterprise since each dollar a company earns on the sale of a product; it spends about \$0.50-0.60 on goods and services. Further, more capital is spent on the procurement of materials and services to support the business's operations than on all other expense items combined (Hawking *et al.*, 2004).

A spectrum of potential strategic government procurement responses therefore exists, at one extreme the need to help government agencies weather the storm through reducing costs, and, at the other, the potential of achieving long-term economic resilience, not necessarily at an additional cost to the government. It is not for public procurement managers but political leaders to make the choice regarding the government's specific objectives, but it is public procurement managers' professional duty to develop and present options (Murray, 2009). However, should the government choose to prioritize accelerating and economic growth, then there is a need to consider what such a procurement strategy would look like.

One option available is supplier clusters. The concept of supplier clusters is not new and was pioneered by the Japanese automotive industry, where the preference has been for manufacturers to invest in the supply base rather than rationalize it, in order to find more efficient and effective ways of sourcing strategically important component parts or services (Vereecke and Muylle, 2006).

One element of strategic procurement is that of the development of single sourcing which implies a closer working relationship with suppliers in an effort to sustain value for money. There are several voluntary sourcing strategies for procurement materials. It may be decided to choose to buy from one source only (single sourcing). It is possible to choose to buy from more than one source (multiple sourcing). It may be possible to combine single and multiple sourcing (parallel sourcing). It may be possible to buy the source itself (backward vertical integration), and once implemented, this particular strategy becomes the decision to supply the material or service yourself (make in).

One of the most critical decisions a buyer makes is that of choosing sources of supply (Ghosh, 2000; Stern and El-Ansary, 2000). Supply is of paramount importance because one of the buyer's most important functions is that of providing an assortment of items to present to the internal or external customer (Rugman and Verbeke, 2008). Accordingly, supplier selection and relations take up a substantial portion of a buyer's attention.

The dynamic character of the world means that it can be difficult to forecast future conditions and thus, flexible strategies may be needed to cope with uncertainty. Consider flexibility in the context of having several suppliers available and the possibility of maintaining flexibility in the choice of materials.

1.1.1 Strategic Procurement

Thompson (2006) argues that strategic procurement is a new field for empirical measurement beyond the basic monitoring of processes. Previous research have already shown that the benefits from organizing supply chain resources, strategy, structure, responsibilities, approach and policies more effectively, are far greater than the possible

savings from a simple departmental cost/efficiency focus (Burt and Doyle, 2001; Joag, 2004).

Spekman *et al.* (2004) argue that there are fundamental changes in practice of business and that there are significant implications for the procurement/procurement function. Indeed they suggest the procurement professional should be a key player in nurturing and managing both internal and external relationships. Ferguson *et al.* (2006) postulate, very credibly, that procurement must continue to demonstrate its ability to positively impact on organization financial effectiveness. Similarly they argue that procurement must continually recognize its own strengths and market those throughout the organization.

Van der Weele and Rozemeijer (2006) argue that driven by the need for lean organisations with focused efforts and rapid growth of information technology, procurement has become a strategic issue and a key success factor of every organization. Arguably the Weele and Rozemeijer argument should apply both in the public and private sectors supported by the modern trend for the call for transparent effectiveness in both sectors; demanded by stakeholders in the public sector and shareholders in the private sector.

Wheatley (2008) suggests that ineffective procurement can hamper the growth and competitiveness of the organization in the market. This is particularly compounded when the same product, or service, is bought under differing part numbers of service description. Wheatley argues that this problem is particularly acute in military, automotive, aerospace and electronics applications but is by no means restricted to those industries or indeed their suppliers. Cox (2006) identifies strategic procurement management as proactive rather than reactive. His approach links competencies, relationships and asset specificity in order to procure a supply and value chain which reduces the costs of transactions and improves profitability.

Chadwick (2005) argues, the strategic procurement is planned the same way other organization strategies are planned. He suggests that an evaluation of strategic

procurement effectiveness should include: how much does the procurement operation actually cost? How much value does it deliver to the overall organization? Is the function targeted on goals that align with the strategic plan of the overall organization? What progress is being made towards meeting these goals? Is procurement accountable for the basic load of the organization? Is the infrastructure being developed to meet the needs of the organization, by optimizing administration and inventory management? How effective is the staff development plan at increasing the professional competence and standing of the supplies management function? These are all valid questions and are all applicable to both private and public sector.

The environment in which companies and their procurement department's trade in has changed dramatically in recent years. Globalization has opened new markets both for sales and for purchasing (Cox, 2006). Companies now have access to suppliers outside their traditional domestic markets and their growing global enterprises require suppliers that have global coverage. The emphasis on supply chain integration and joint process improvement has changed the way companies approach procurement. Companies are shifting inventory back up the supply chain and increasingly seeking integrated supply chain solutions rather than individual products. Suppliers face higher service expectations and often are measured against specific performance criteria.

Industry restructuring is changing the environment in which suppliers must sell their products (Cavinato, 2007). Deregulation and mergers have led to increased opportunities for scale economies. Individual companies in consolidating industries, such as health care, utilities, transportation and retailing are gaining the purchase volume and leverage necessary to demand lower prices and enhanced service.

Information and communication technologies are also helping to increase the leverage of procurement organizations. Technology is allowing companies to track purchases across their entire enterprise and consolidate purchases. Benchmarking databases allow them to keep better track of individual suppliers and the quality they provide and prices they

charge and the rapid dissemination of technology and ideas has led to “commoditization” of many products and services, increasing choices for buyers.

Smith and Conway (2003) identified seven key success factors which characterize effective strategic procurement. These are: a clear procurement strategy, effective management information and control systems, development of expertise, a role in corporate management, an entrepreneurial and proactive approach, co-ordination and focused efforts. Clearly these seven success factors are the key to effective procurement; however, an eighth is fundamental – effective communication of the key success factors to all levels of the organization (public or private sector).

Clearly, the establishment of a procurement strategy together with its implementation and review require the participation of a number of people. The formation of a cross-functional team or working group may be a suitable means of reviewing the current situation, defining objectives, agreeing a strategy and planning and reviewing progress. A key task for a procurement strategy team includes identifying key suppliers and their performance, reviewing stockholdings and examining the current range of operating procedures (Wu *et al.*, 2007)

Carter and Narasimhan (2006) suggest the status accorded the procurement function in an organization frequently is determined by the image the function projects to personnel outside procurement. Support throughout the firm will determine the status of procurement and the role procurement plays in the firm. Unfortunately, most non-procurement personnel have a very simplistic view of the procurement function, and they understandably demonstrate little regard for internal procurement performance measures which they view as mainly tactical (Cavinato, 2007).

Carter and Narasimhan also suggest the linkage between procurement strategy and organizational performance began to be established when organisations began to realize the impact the procurement function can have on their competitive position, and they gradually shifted the role of procurement from tactical to strategic. Clearly, if

procurement is to sustain this move from a tactical to a strategic role, there must be a shift in focus by procurement personnel from efficiency to effectiveness.

Procurement personnel must think in terms of the potential strategic implications of their actions and routinely interact with other functional managers to develop coherent and integrated strategies (Chadwick, 2005). Overall it is clear that Carter and Narasimhan's work brings an exciting, as well as superbly presented, aspect to the question of whether procurement is strategic and what impact it has on the firm's performance.

1.1.2 Strategic Procurement and Performance

Procurement is considered one of the supply chain activities with the greatest potential impact on corporate performance (Lambert et al., 1998). The operations management (OM) literature describes a wide range of goals for procurement, some of which are procurement cost reduction, inventory level optimization, contribution to the quality of final products, and shrinking time-to-market (Christopher, 1992).

The reduction of procurement costs has always been recognized as one of the most significant purposes in procurement (Collis and Montgomery, 1995), since the average manufacturing firm spends about half its sales revenue on activities related to the procurement of materials. Cost reductions in the procurement domain allow the firm to pursue price competition strategies in downstream markets and sustain growth (Christopher and Gattorna, 2005).

In procurement literature, two main sources of costs are identified: procurement prices and costs associated with the internal workflow of activities complementary to transactions (Kopczak and Johnson, 2003). Accordingly, a general capability to generate and sustain lower procurement costs should reflect the sub-capabilities to keep procurement prices and the costs of complementary activities at a low level.

Procurement prices can be reduced when a firm has a superior capacity to manage the upstream vertical market relations with both current and potential suppliers (Wagner and Johnson, 2004). A typical transaction-cost based explanation suggests that a buyer may increase negotiating capability by finding new supply sources, reducing the opacity of the market, and realizing savings in procurement costs (Sheth and Sharma, 1997). Moreover, except in the case of strategic materials, by building a large supply base, a firm is able to avoid investing too much in a single transaction, thus reducing the risk of opportunism on the part of a limited number of suppliers (Kim and Umanath, 2005).

Another option for reducing procurement costs is related to a firm's capacity to manage internal activities complementary to transactions (such as delivery, inventory, settlement, and billing) in an efficient manner. Cost savings can also result from the development of procurement routines, which make the process more efficient and avoid waste (Lambert and Cooper, 2000). These routines, developed over time, enable the coordination of tasks and improved workflow management within the procurement department.

A firm can pursue cost savings in procurement through a superior process efficiency capability, made up of a better capacity for managing the relationships with suppliers coupled with an enhanced capacity to deal with internal complementary activities. According to the RBV, this capability may be considered strategic, since it satisfies both the conditions of heterogeneity (value and rareness) and those of stability (inimitability and organization).

The ability to manage transactions with suppliers allows the firm to take advantage of market opportunities (value), while the ability to manage the supplier base and the activities complementary to transactions are certainly not equally distributed in the market (rarity). At the same time, this capability is complex and accumulated over time (inimitability), and it can be seen as an organizational routine deeply embedded in the business process (organization).

The integration of activities from procurement to the final customer is rapidly becoming the key element of strategic supply chain management (Lejeune and Yakova, 2005). The ability to integrate procurement activity with other business processes has been recognized as a pre-condition for improving the quality of final products as well as reacting to market changes (Fiala, 2005). Hence, a second potential capability, process integration capability, should be considered in the procurement domain. This capability allows the procurement department to act beyond the scope of its traditional procurement activities, thus having a potentially larger impact on the firm's performance (Alvarado and Kotzab, 2001).

The process integration capability is primarily related to a robust exchange of information with suppliers and with other departments, such as marketing and operations (Cachon and Fisher, 2000). At the same time, closer integration with other functions, such as production and marketing, allows the firm to buy the right materials, and guarantees that the entering flows of materials are consistent with product specifications (Wu et al., 2006; Kehoe and Boughton, 2001).

The capability to integrate procurement into other business processes is leveraged by the ability to manage the cycle time. This reduces lead times and time-to-market, and facilitates the creation of a first mover advantage (Baum and Wally, 2003). Strong inter-functional coordination within the firm is crucial to reduce product life cycles (Presutti, 2003; Hult et al., 2004), and to increase sales revenue as a result of improved availability of goods (Ireland and Bruce, 2000).

Finally, process integration capability relies on the capacity of the procurement department to catch rapid shifts in consumer needs. Responsiveness may be a powerful element in sustaining growth driven by the downstream market, allowing for a quick reaction to changes in consumer tastes, because procurement materials are immediately aligned with the new requirements promoted by the marketing function (Alessandri and Bettis, 2003; Lancioni et al., 2000).

According to RBV principles, this capability may also be considered to be strategic. Being able to integrate procurement into other business processes makes it possible to cope with market changes (value), and other firms in the market may not be able to rely on the same responsiveness or ability to reduce cycle time (rarity). At the same time, this capability is complex and made up of different sub-dimensions (inimitability), and it is largely exploited through a deep cultural and organizational commitment (organization).

1.1.3 Conditions Enhancing the Strategic Importance of Procurement

Any procurement may be viewed as important given the high cost expended as well as the criticality of the procurement to the operations of the buying firm. While cost considerations do not require further elaboration, the conditions which contribute to enhancing the strategic importance of any procurement include the extent to which the procurement contributes to: the maintenance and enhancement of competitive advantage; efficient exchanges; and, longer term, adaptive relationships.

Procurement can play a large part in enabling a firm to pursue a distinct competitive positioning strategy among low cost leadership, differentiation, or focused competitive strategies, as elaborated by Porter (1980, 1985). On the other hand, procurement strategies also enable development of tacit knowledge of supply markets, adaptations to supply environments, and learning processes that provide new uses for existing components and parts (Venkatesan, 1992).

Such knowledge, ability to react to environmental changes, and learning processes, by themselves, are sources of sustainable competitive advantages in so much as these cannot be easily imitated by the competition (Ghemavat, 1986; Lippman and Rumelt, 1982; Williams, 1992).

External procurement strategies contribute to efficient exchanges so long as the level of assets specifically invested in the external supply relations are low and the environment is stable enough to contribute to the development and maintenance of long-term contracts

(Williamson, 1975). However, in some cases, procurement may expose the firm to the risk of supplier opportunism, some forms of which can be mitigated only through backward integration. Such risks are present when procurement may involve investments made by the firm specifically for the supply relation, or when items crucial to the firm's operations and processes are being contracted (Venkatesan, 1992; Williamson, 1975). Moreover, wherever supply relations involve providing critical information to suppliers, there is always a risk that the supplier may "piggy-back" on the firm's knowledge of products and processes for their own forward integration attempts (Wilson and Dobrzynski, 1986). Thus, the risks of supplier opportunism and priorities in the protection of firm-specific knowledge may call for a more strategic - as opposed to cost-based - reasoning of the procurement decision.

While straight rebuy tasks and supply contracts may suffice for regularly procured low-value items, procurements that are at the core of the firm's operations may call for other forms of long-term relationships. Whenever crucial knowledge development efforts are required, or the firm must frequently adapt to changing market or supply conditions, relational exchanges offer better advantages than spot-market transactions.

Organized more on the basis of commitment, trust, and cooperation, such relational exchanges offer improvements in productivity, quality, organizing efficiency, and decreased costs of exchange, especially when neither "arms-length" transactions nor vertical integration provide for frequent adaptations over a longer-term horizon (Anderson and Weitz, 1992; Frazier et al., 1988).

The conditions identified above contribute to the strategic evaluation of procurement decisions, primarily in terms of the development and pursuit of competitive strategies, purchase decisions, and the choice between market and relational forms of exchanges. These decisions are crucial to the development of a particular form of buyer-seller relationship within procurement.

1.1.4 Communications Commission of Kenya

Communications Commission of Kenya (CCK) was established in February 1999, when the Kenya Post & Telecommunication Corporation (KP&TC), was split into CCK, the Postal Corporation of Kenya and Telkom Kenya. It was established for the purpose of ensuring that provision of Telecommunications, Radio-communications, Broadcasting, E-commerce and Postal/Courier services is conducted in a manner that confers the most benefit to the citizens of Kenya and the economy in an environment that ensures fair play among the providers of those services.

The CCK, in its regulatory role serves a multi-stakeholder community. These include members of the public, investors interested in the country's communications sector, holders of Licenses issued by the Commission and the consumers of communications services in the country, and the Government of Kenya.

As mandated under sections 23 and 47 of the Kenya Communications Act 1998, the CCK serves to protect the users and consumers of communications services with regard to the prices charged the quality and variety of those services.

CCK has an indirect relationship with the end users through its licensees. It is only in cases where a consumer has a complaint that has not been resolved by the service provider that a direct link is established between the Commission and consumers.

The administrative council of CCK is constituted by 11 members, where 4 are Permanent Secretaries, respectively from the Information and Communications sector, as well as from the Treasury and the President's office. The remaining 7 members are representatives of the public sector. The council is replaced every four years. The chairman and the directors of the board are appointed by the Minister. The mandate of the CCK includes organizing, planning, attributing and managing the radio frequencies on the Kenyan territory. The Commission equally regulates the telecom, Internet and TV sectors, determining the rights and obligations of the operators and delivering licenses.

CCK like any other public organization has its procurement processes governed by The Public Procurement and Disposal Act, 2005. The Public Procurement and Disposal Act, 2005 came into operation in 2007 with the intent of reforming the procurement processes in the public sector of Kenya.

The purpose of this Act is to establish procedures for procurement and the disposal of unserviceable, obsolete or surplus stores and equipment by public entities to achieve the following objectives; to maximize economy and efficiency, to promote competition and ensure that competitors are treated fairly, to promote the integrity and fairness of those procedures, to increase transparency and accountability in those procedures, to increase public confidence in those procedures and to facilitate the promotion of local industry and economic development (Public Procurement and Disposal Act, 2005). This act was enacted with a view to streamlining public procurement in the country to get value for public funds. The Act guides policy and practice of procurement in all government agencies and departments.

1.2 Statement of the Problem

Since the early 2000s the Kenyan government has taken a close interest in their ability to maximize resources. Amongst other initiatives this has led to a plethora of appointments in government procurement units of procurement staff, many, but not all, at director level. Clearly the rationale for such appointments is based on either improving or introducing procurement professionalism within institutions of disparate cultures.

Much has been written about the operational activity of procurement in government (Behan, 2005). Work has been produced on organisations formerly government owned (Ascher, 2007) and procurement legislation (Sparke, 2003; Watson and O'Reilly, 2002). More recently there have been some good publications concerning public procurement in the South African countries (Arrowsmith, 2007; Cox, 2008). Omosa (2007) studied procurement performance measurement systems using the survey design on large manufacturing companies in Nairobi. What would appear to be lacking from the literature

is work on procurement's role in and impact on corporate performance in Kenyan government.

The impact of procurement in government procurement units is driven by the contribution of the function to overall corporate performance and its interface relationships; much has been written about procurement strategy, but the actual impact of procurement strategy on corporate performance in Kenyan government has been neither empirically substantiated nor rigorously examined.

The purpose of this research was therefore to answer the following questions:

- i) What is the impact of strategic procurement on corporate performance in CCK?
- ii) What are the major issues affecting this role for procurement?
- iii) What can procurement do to address these issues and play a successful, cost effective role?

1.3 Objectives of the Study

The specific objectives of the study were;

- i) To establish the impact of procurement in organizational performance in CCK?
- ii) To determine the major challenges affecting procurement in CCK?
- iii) To find out effective measures that can be employed to address the procurement challenges in CCK?

1.4 Importance of the Study

The study findings will be important to CCK which is the regulator of the telecommunications sector. The findings will shed light on how strategic procurement assists an organization perform its functions effectively and how it relates to the overall performance. Apart from CCK, the findings will also be of importance to other public entities and other government units since its findings will shed light on the importance of strategic procurement in the public sector. The public agencies can therefore use these findings to enable them formulate policies and strategies that will enable procurement play a positive role in enhancing government competitiveness in provision of services to the citizenry.

The study will provide scholars and academicians with more knowledge on how strategic procurement can play a role in enhancing the performance of an organization. The findings from this study can also be used by students and the academic fraternity in training about strategic procurement and its role in the organization. The limitations from this study can be worked on by future studies to make information from these future studies more valid and reliable.

The findings and recommendations of the study will aid employees in CCK as well as employees in other organizations in understanding better the aspect of employing a strategic approach to any arm of the organization to achieve optimum results. This will further enhance productivity since both the employer and employee will understand the area better.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Literature review in the positivism approach is the recognition of the fact that previous works have broken the ground in the particular subject and that new knowledge can be accumulated by recognizing and building on that. Research in this view is aimed at making new contributions to knowledge by adding on to the existing theories developed and it does so through challenging and building on what has been developed. In this chapter, a discussion of the previous works on procurement in governmental agencies, its contribution to the organizational goals and challenges in this field is presented.

2.2 Role of Procurement in Government Agencies

Public procurement is concerned with how public sector organisations spend taxpayers' money on goods and services. Public procurement is guided by principles of transparency, accountability, and achieving value for money for citizens and taxpayers. Public sector expenditure is substantial: government organizations across the world tend to spend between 8 per cent and 25 per cent of GDP on goods and services (Organisation for Economic Co-operation and Development, 2006). Government is often the single biggest customer within a country, and governments can potentially use this purchasing power to influence the behaviour of private sector organisations. In particular, it has been noted that public procurement can be a lever to deliver broader government objectives, such as stimulating innovation in supply markets, using public money to support environmental or social objectives, and for supporting domestic markets (McCrudden, 2004).

Competitive tendering is the means by which most goods and services are procured. It is best to understand how competition occurs in procurement. For example, in Kenya, if the Kenya Airports Authority is interested in the purchase of Gantry Cranes, the Authority will advertise and call for bids from potential suppliers. In this process there will be bids from major suppliers and a technical evaluation committee would be involved in the decision-making process while a tender board and technical evaluation committee would evaluate whether bids are in accordance with the technical requirements they have

stipulated in the tender conditions. In this process competition occurs. The supplier's credibility in carrying out previous contracts of this nature, the price and the most competitive bidder are awarded the tender. The most important information source for suppliers is the tender advertisement and, for the contracting authorities, the bids submitted and provision of inaccurate data result in misunderstandings and increased costs and delays in the tendering process.

The better the quality of information provided the less likely that it will result in an unsatisfactory purchase believe that competitive tendering would avoid accusations of favoritism and fraud and that the openness of the system would encourage more suppliers to participate and that increased competition would help reduce prices, improve quality and lead to greater competitiveness among suppliers. Procurement rules assist in the creation of competition markets and benchmarks and reform efforts in this area would improve quality and lead to greater competitiveness among suppliers.

Ethics is another important principle of government procurement. Purchasing professionals are held to higher standards of ethical conduct than people in other professions, yet some do not even know what is expected of them (Atkinson, 2003). If the workforce is not adequately educated in such matters, this may lead to serious consequences; including, breaches of codes of conduct. Every government entity should train its individuals on procurement rules, regulations and standards to be aware that there are ethical and legal standards involved in procurement which must be adhered to.

Recent developments in the United States of America, the United Kingdom, and other developed countries have shown that the practice of making financial contributions to Party funds or to Members of Parliament in order to secure benefits are prevalent in both developed and developing countries (Rege, 2001). However, procurement related corruption tends to be a serious problem in developing countries rather than in developed countries. World Bank studies put bribery at over \$ 1million per year accounting for up to 12 percent of the GDP (Gross Domestic Product) of nations like Nigeria, Kenya, Venezuela (Nwabuzor, 2005) and Sri Lanka. The main cause of corruption is due to

poverty in these regions. This has resulted in corruption among government procurement officials in developing countries such as Bangladesh, India, Sri Lanka, Nigeria and Venezuela.

There is also a weak enforcement of the rule of law in these regions (Nwabuzor, 2005), and therefore urgent measures are needed to cope with the corruption in developing nations. For example, numerous oil refineries and related facilities are constructed using large amounts of highly specialized materials and in addition various regions are involved with massive infrastructure projects designed to improve the overall standard of living (Tandoor and Koehn, 2004). There is corruption in the bidding and estimating process for the procurement of these facilities in developing countries (Nwabuzor, 2005). Transparency International (TI) an independent organization based in Germany is investigating corruption in business.

Transparency International has developed a ranking system for the construction industry, and countries such as China, India and Russia appear to be corrupt nations (Tandoor and Koehn, 2004). However, countries such as Sweden, Switzerland, Austria, Netherlands, and Australia appear unlikely to be involved in corruption while Bangladesh appears to be the most corrupt nation in the world (Tandoor and Koehn, 2004). A global solution or effective benchmark to the ethical dilemma would be to develop an international code of ethics.

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

It also requires that they perform both tactical and strategic processes to enable the firm to maximize its value opportunities. Unfortunately, procurement individuals currently perform routine, short-term activities rather than strategic ones, are not focused on the

performance of major processes, and are restricted in terms of interaction with others on non-routine activities. Consequently, job responsibilities, performance measurement, and education and training need to be rethought.

Procurement job responsibilities need to be expanded and rewritten to incorporate traditional tactical buying processes as well as strategic processes, focus on both processes and linkages, and identify procurement's role in cross-functional teams. These job responsibilities should selectively be accompanied with general policies and procedures because the unstructured, non-routine tasks, which are the bulk of the strategic activities of procurement, are best handled through the provision of general guidelines which allow for flexibility, change and innovation. To help identify and develop the needed documentation, intra-functional teams can be used.

Procurement is supposed to add value to the overall organization. As value-based management changes the activities, job responsibilities and method of operations for procurement individuals, the performance measurement system must be designed to provide support. Clear, specific objectives need to be developed for the procurement function which supports the firm's objectives and strategies. Research indicates that current procurement objectives often do not meet these requirements (Cummings and Qiao, 2003). Objectives should be established to improve the performance of critical processes and interactions.

These critical processes may include non-traditional processes of supplier relations, education and training, or forecasting. If teams have been, or are being, established in the firm, both individual and team objectives are needed to gain best performance. These teams can and should be used in developing the objectives. After the performance objectives have been established, the appropriate performance measures to track progress towards those objectives can be identified. Systems may need to be established to provide consistent, accurate outcome and process feedback from management, customers, team members and suppliers (internal and external).

Successful implementation of value-based management in this complex procurement function requires well-trained and educated employees. Unfortunately, the level of education and training of procurement individuals has been decreasing rapidly, as has the number of certifications. One study indicates that formal training programmes exist for procurement individuals only within 44 per cent of the firms surveyed and only 26 per cent of the firms have a formal career development programme in place for procurement professionals (Atkinson, 2003). These statistics provide concern as to the probability of implementing an effective value-based management programme in procurement.

Education and training is needed continuously during the application of value-based management, not only for procurement individuals, but also their “customers” and providers. This training should include the following four elements: an overview of value and process management; technical training to improve the competence of procurement individuals in cross-functional teams; training in computer systems, strategic planning, and problem-solving techniques, including statistical process control, and; team-based training in skills like communication, setting objectives and conducting meetings.

With this foundation, the managers and procurement individuals, together, can identify the function’s strategic value processes, develop job responsibilities, set performance objectives, determine appropriate performance measures, and identify needed feedback. The framework also then exists for the teams and individuals to improve continuously the function’s processes and linkages. Additionally, such training reduces the uncertainty associated with value-based management and improves the probability of its success.

The development of strategic training schedules and formal career development plans would further increase the probability that individuals receive the needed training continuously. Managers should also encourage involvement in professional development activities by covering expenses and becoming involved personally in these activities.

2.3 Major Challenges Affecting Procurement in Government

The ultimate goal of public procurement is to satisfy the public interest like any government action should be. In this sense, good procurement should satisfy the needs of the people, should be fair to businesses and should save and avoid wastage of public funds.

Good public procurement is a good tool to implement public policy in all areas, and should be an instrument for good governance and therefore good government. In this sense, good procurement contributes to the government's legitimacy and credibility. On the contrary, corrupt (bad) public procurement increases poverty and inequality by diverting funds away from the attention of social needs; it engenders bad choices, encouraging competition in bribery rather than in quality or price. For companies, corrupt procurement provides an unfair, unstable and risky competitive advantage and creates a sort of market-entry cost or non-tariff barrier, at least for those companies who do not wish, or cannot afford to bribe their way in.

Some of the key impacts of corruption on procurement listed out by Transparency International include a financial impact and an economic impact. Financial impact or damage can consist of unnecessarily high cost of purchases, burdening a government with financial obligations for purchases or investments that are not needed and early repair costs to repair and maintain investments. Economic impact can consist in burdening a government with operational, maintenance and debt servicing liability for investments/purchases and when capital investment levels decrease because of corruption costs and threats to business operators.

Value for money and reduction of waste and inefficiencies are important principles of procurement. The procurement department should provide value to the entire organization or government unit and should therefore entail consideration of the contribution to be made to advancing government policies and priorities while achieving

the best return and performance for the money being spent (Bauld and McGuinness, 2006).

Reducing waste and giving value for money does not always mean giving a tender to the lowest bidder. Sometimes the government is at liberty to consider other criteria than the lowest price; for example technical capabilities, qualifications of key personnel, and past performance records in awarding contracts to potential suppliers (Cummings and Qiao, 2003). Some of the barriers which need to be overcome in order to achieve Value for money and reduce waste are weak governing bodies, politics, tradition, and lack of education and training programmes (Palmer and Butt, 1985).

Overseeing and ensuring that wastage is minimized or eliminated and the unit is given value for money can often be very difficult (Bauld and McGuinness, 2006). Procurement could focus, opportunistically, on the short-term superiority of bargaining power (Cox, 1999, 2005) and extract maximum cost reductions and minimum waste (Nollet and Beaulieu, 2005). Alternatively, recognizing that good supply chain management requires a long-term perspective (Tummala et al., 2006), government procurement could take a more strategic perspective, reflecting its uniqueness, improving its strategic contribution and meaningful involvement (Johnson and Leenders, 2003) through accelerating quality delivery and reduction of waste. An increasing number of governments all over the world are adopting modern information communication technologies (ICT) as a tool for providing effective and efficient services to their citizens. As a corollary to this, there has been a shift in the manner of how information is collected, processed, stored and disseminated. However, the adoption of these modern ICTs in managing records has often been haphazard without due consideration on the impact they have in such management.

Lipchak (2002) argues that good governance based on transparency, accountability and trust (and similar values) has become a shared goal among governments around the world. He goes on to say, however, that achieving this goal requires a common approach to the establishment of recordkeeping programs – programs that enable and support

effective good governance. He stresses the fact that there is a need to explore the relationship between information management and good governance and to identify key issues which governments in both developed and developing countries should consider in assessing and improving their recordkeeping (or records management) programs.

Lowell (1987) an Australian records expert believes that “Government records have a unique character that imposes special responsibilities on the agencies that preserve and manage them”. He goes on further to say that “the value of state records derives from information they contain and evidence they provide. State records not only document past decisions, they often establish and protect current rights and responsibilities of both the government and the governed.” He concludes that “records provide a source of public accountability of how elected officials and the bureaucracy have carried out their public trust and the mandates of the citizenry.”

Perhaps the best summary of the usefulness of records is that which is provided by Piggot (2002) a senior information solutions consultant with the who says that without access to good records, officials are forced to take decisions on an ad hoc basis without the benefit of institutional memory. Fraud cannot be proven, meaningful audits cannot be carried out and government actions are not open to review. There are several reasons in the context of good governance why procurement units need to manage and maintain records properly. This is because past tenders can be verified, followed and investigated and can be a basis for future decision making.

Record keeping is a very important element of any procurement process (Atkinson, 2003). A good procurement process should take particular note of the availability, quality, security and completeness of procurement records and files. In addition to overall data on numbers, types, values and dates of contracts awarded and names of awardees, procuring organizations should maintain for all contracts, a record which includes, inter alia: public notices of bidding opportunities, bidding documents and addenda, bid opening information and bid evaluation reports. Further, any good procurement record keeping practice should include formal appeals by bidders and outcomes, signed contract

documents and addenda and amendments, records on claims and dispute resolutions, records of time taken to complete key steps in the process and comprehensive disbursement data (as required by the country's financial management system) (Arrowsmith, 2003). The absence of or significant deficiencies in such records is an indicator that a procurement system is not developed enough and should be improved on this respect.

In the developing countries, the key portion of the procurement, particularly from the international sources, takes place in the public sector. Major portion of this public sector procurement is financed out of the development credits, grants or loans, etc., extended to the Government (Borrower) by the Development Partners (DPs) on account of various development projects. A sizeable part of these credits, grants or loans are earmarked for procurement of goods, services or works or a combination of two or more of these in a particular project or a set of projects.

Also all of the development projects contain a large volume of procurement for implementation of the project (Caldwell, Bakker, and Read, 2007). Usually public sector procurement under a project has procurement of goods or works, which involve infrastructure of various kind and natures. Additionally in all projects involving infrastructure the common components are designed to provide contribution to the national economy either by creating employment opportunities, or by encouraging export-oriented production or by providing support to development of industry, crop growing or business, or as simple infrastructural framework to support and add various type of existing infrastructures.

However, important infrastructural examples which play important role in the financial system of a country include, but are not limited to, communication network (roads, railway, water-way, telecommunication, airline, etc.) utility services (like water supply, sewerage, drainage, in- city transportation facilities, etc.), energy (electricity, gas, renewable energy, etc.), housing, land development, etc. All of these works is calculated to contribute to the national economy in one or more ways. However, when procurement

processing is involved, experience of public procurement produces the proof that in most cases, delay in project implementation is caused by lingering procurement processing of the relevant tendering, thus resulting into corresponding occurrence on the economy and society, both at the micro- and macro-levels (Gunasekaran, 2005).

Procurement of all of these components usually face severe setback in the public sector impeding the desired and planned pace of implementation (Knight, Harland, Telgen and Caldwell, 2007). The ultimate result shows up in non-utilization or under-utilization of the hard- to- obtain foreign exchange components of the project fund and/or abnormal increase in the total project cost both in local and foreign currencies. This occurrence can also be seen as a composite formation of two components: a) increase in the cost of the project itself; and b) deficit to the national economy in term of negative impact on monetary income, creation of employment opportunities, growth of savings, growth of investment, fostering of domestic and export- oriented production, addition to the national production range or national income, rise in the volume and speed of economic activities, etc. If we consider in an objective way, delay in project implementation by a single day ultimately results into a huge loss to the national economy in term of one or more of the above effects acting simultaneously.

The whole chain of positive contributions of project implementation like increase in purchasing power of the low- income population thereby creating a demand -driven market, investment, income, savings, rise of standard of living, etc., are disrupted by delay in project implementation; monetary valuation of such negative impacts on the national economy. This picture of negative impact is yet short of the most important factor of time frame being upset, the effect of which however cannot be quantified in terms of money or any other tangible yardstick. In any case, delay in procurement processing and completion of contract performance results into two-fold economic loss and sufferings of the mass people (i) increase in the project cost, and (ii) increase in the loss to national economy in term of economic returns of the project.

Delay in project implementation (delay in procurement processing) also has its indirect negative impact on the increase of purchasing power of the working population both at the micro- and macro- levels by way of risk money circulation through economic activities expected out of the implementation process and after – effects (Linthorst and Telgen, 2007).

Just as timely implementation would have all positive effects on the consequential sequence of economic activities, so would the untimely implementation have on the negative side (Nollet and Beaulieu, 2005). Delays in procurement are costly and can have disastrous consequences on the ultimate objective of the process under consideration. Most delays stem from poor planning and failure to engage procurement professionals early enough in the project concept development and appraisal phases to determine procurement methods and corresponding lead-times in line with the overall needs of the project.

The more we look at procurement as an element in the supply chain, the closer we will get to realizing that we are dealing with an integrated system of which procurement is only a link in the chain (and a crucial one in fact), such that if we fail to anticipate and prepare for any constraints in this area, it could take decades to recover from avoidable oversights (Smith-Deighton, 2004). When dealing with socio-economic development, such delays, and their ultimate consequences, must be avoided at all costs.

2.4 Effective Measures to Address the Procurement Challenges

Oversight and performance measurement are the main techniques that have been used by many leading researchers and practitioners on improving both private (Saad et al., 2005) and public sector organisations. Triantafillou (2007) points out that as a practice within the public sector oversight implies a systematic measurement and comparison of the activities of individuals and organisations with a view to improving their efficiency and quality. Oversight maybe distinguished from other traditional forms of evaluation by its attempt to visualize best practice and its watchful care, management and supervision of the whole procurement process through normalizing comparison and by urging public

entities to ask themselves what they can do to promote best practices in procurement (Triantafillou, 2007).

The rationale of procurement oversight therefore will be to research and identify ‘best’ practices that have proven to be successful in particular areas and which have the potential for improving other similar practices and or performances (Chamberland, 2005). Oversight enables and motivates one to determine how well one's current practices compare to others practices, experience best practices in action, locate performance gaps prioritize opportunities and areas for improvement, and improve current levels to world class standards (Palaneeswaran and Kumaraswamy, 2000). Public sector procurement is more regulated than private sector procurement, and there are more rules to comply with, more policy considerations to take into account (Chamberland, 2005). Palaneeswaran and Kumaraswamy (2000), say that even those public bodies that genuinely wish to change are restricted by standing orders, public accountability and probity constraints.

Government agencies are very bureaucratic in nature and are extremely reluctant to change their current habits and practices. Palaneeswaran and Kumaraswamy (2000), argue that public sector agencies need to incorporate most of the modern management tools and technologies to cope with the procurement industry, to remain competitive and make maximum use of scarce resources.

The Public Procurement and Disposal Act, 2005 created the Public Procurement Oversight Authority (PPOA), the Public Procurement Advisory Board (PPAB) and the continuance of the Public Procurement Complaints, Review and Appeals Board as the Public Procurement Administrative Review Board (PPARB). The PPAB and PPARB are autonomous bodies who are mandated with diverse responsibilities in regulating and guiding procurement policy in the public sector (www.ppoa.go.ke). The PPOA is mandated with the responsibility of: Ensuring that procurement procedures established under the Act are complied with; Monitoring the procurement system and reporting on its overall functioning; Initiating public procurement policy; Assisting in the implementation and operation of the public procurement system by: preparing and distributing manuals

and standard tender documents, providing advice and assistance to procuring entities, and developing, promoting and supporting training and professional development of staff involved in procurement.

The service and public sectors are also keen to embrace performance measurement (Simpson and Pursglove, 2007). The importance of benchmarking in the achievement of better results in public procurement and in overall business performance has been widely asserted in literature (Sanchez-Rodriguez et al., 2003). In public procurement, benchmarking and oversight should not be on measuring anything and assessing and supervising everything but should only measure the things that matter (Saad et al., 2005). The need to benchmark and measure performance in public sector organisations is becoming more intense.

Procurement benchmarking therefore is the effort to measure performance of a supplier of goods or services on the basis of quality price and timely delivery and also of the processes followed by the government entity buying (Tudor, 2005). Another benchmark in the public sector is the customer-supplier satisfaction as measured by the number of complaints received (Tudor, 2005).

Bhutta and Huq (1999) say that the government cannot just simply adopt a best practice and implant it in overall government operations but the government needs to look at the way things are being done, such as the prevailing culture and human resources employed to do the job before it can adopt a benchmarking practice. Process benchmarking and internal benchmarking would be both important when a comparison of techniques is undertaken (Yasin, 2002).

Process benchmarking is when methods and processes are compared in an effort to improve the processes in the government (Yasin, 2002). Internal benchmarking is when comparisons are made between departments or divisions of the government (Bhutta and Huq, 1999). According to a study conducted by Soh et al. (2006), internal assessment contributed to the attainment of benefits of benchmarking by focusing on the culture,

training and internal communication within the organization. Thus, in the last twenty years, different types of benchmarking have been used as a common management practice in purchasing departments (Sanchez-Rodriguez et al., 2003), in both developed and developing countries.

Taking a planning approach to strategy which is typical in the public sector where a tightly scheduled, formalized and systematic approach is taken to identify a gap between the organization's current position and the desired performance. To close that gap and achieve the corporate objectives, hierarchies of strategies are developed and cascaded to the various divisions, business units or functions as their functional objectives. In the literature, it has been argued that it is only after the government has developed its core objectives that functional strategies, including those of procurement, can be developed (Carr and Smeltzer, 1997).

Assuming that a procurement strategy has been developed in line with this cascading it is said to be aligned. Significantly Cousins (1999) and Cousins and Hampson (2000) argue that without strategic alignment it will not be possible to effect change in procurement as a strategic function. It would therefore follow that, if public procurement is to make a strategic contribution, it should have strategic "fit" and be consistent with the issues important to the rest of the organization. A strategy pursued that is not aligned with the core objectives is said to be dysfunctional.

Within the public sector the core objectives are set by politicians (Hill, 1974; Osborne and Gaebler, 1993; Lyne, 1996); they make political choices regarding the prioritization and allocation of scarce resources. Theoretically, those choices should set the objectives of the procurement strategy, yet of the little comparative analysis of politicians and procurement managers' priorities, Murray (2001) demonstrated a lack of correlation. That being the case, it is quite possible that procurement may be pursuing goals at variance to those of their political leaders. For example, while there has been considerable public procurement research devoted to the pursuit of socio-economic goals (such as Cogburn and Rahm, 2005; Bolton, 2006; van Valkenburg and Nagelkerke, 2006; Erridge and

Henningan, 2007; Walker et al., 2007) and collaborative procurement (Baker et al., 2007; McCue and Prier, 2007), apart from Murray's (2001) tripartite survey and his case study, setting out that it was only through consulting and gaining the confidence of politicians and the citizenry that ownership was gained of a procurement strategy, there has not been any empirical research to establish that procurement reforms on a case-by-case basis, have been successful.

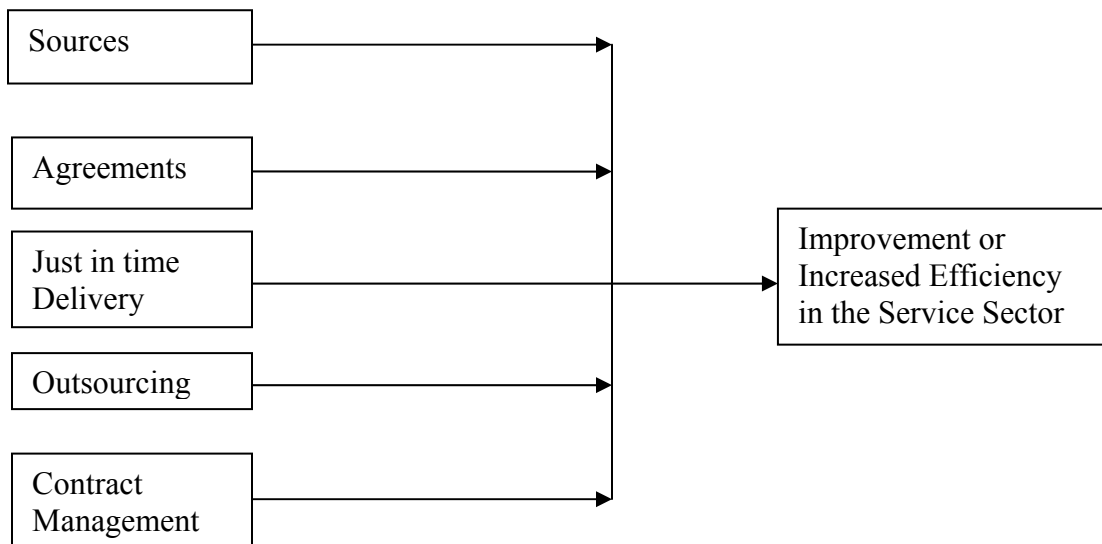
2.5 Conceptual Framework

According to Carter and Narasimhan (1996) strategic procurement involves more than just basing the purchasing decision on cost but looks at the overall value received by the organization from the procurement function. They conceptualized strategic procurement to include strong bonds with sources or supplier chains, well thought agreements with suppliers, delivery just when materials or services are required, outsourcing non core services and retaining core services and good contract management.

Figure 2.1: Conceptual Framework

Independent Variable
(Strategic Procurement)

Dependent Variable



Source: Carter and Narasimhan (1996)

Procurement can play a large part in enabling a firm to pursue a distinct competitive positioning strategy among low cost leadership, differentiation, or focused competitive strategies, as elaborated by Porter (1985). On the other hand, procurement strategies also enable development of tacit knowledge of supply markets, adaptations to supply environments, and learning processes that provide new uses for existing components and parts (Venkatesan, 1992). Such knowledge, ability to react to environmental changes, and learning processes, by themselves, are sources of sustainable competitive advantages in so much as these cannot be easily imitated by the competition (Williams, 1992).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was used to carry out the study. The chapter considers in detail the methods that were used to collect any primary data or secondary data required in the study. In this chapter, the researcher discusses the research design, population size and sample that were used. The researcher also discusses how this data was analyzed giving details of any models or programmes that were used in analysis with reasons as to why these particular models or programmes were used.

3.2 Research Design

This research problem was solved through the use of a case study. This enabled a description on the strategic procurement practices as perceived by the employees in the procurement department at CCK. According to Doyle (2004), a survey research refers to a body of techniques for collecting data on human characteristics, attitudes, thoughts, and behavior by obtaining responses from individuals to a set of prepared questions. Cooper and Schindler (2006), defines a survey as a measurement process used to collect information during a highly structured interview – sometimes with a human interviewer and other times without. According to Angus and Katona (1980), the capacity for wide application and broad coverage gives the survey technique its great usefulness.

3.3 Data Collection

The target population of this study was all the employees in the procurement department and the user departments of CCK situated in CCK's Centre in Nairobi. These are the employees who had in-depth knowledge about the procurement practices at CCK and would therefore provide the study with the information it required. These employees were selected on the assumption that they were in a better position to understand the impact that strategic procurement had. According to Human resource records at CCK, there were 145 employees in total, while in the procurement department, there were 8 employees as at May 2010. For the purpose of this study the primary target was 38 employees who had the knowledge of procurement in terms of being the users or in

procurement department. The research employed a census method due to the small size of the population. All the 38 employees selected were included as subjects in the survey.

The study used both primary and secondary data. Primary data was collected using semi-structured questionnaires (Appendix II) to employees in the procurement and user departments, while secondary data was in form of literature review and other secondary information contained in books, journals and other relevant secondary sources.

The questionnaire was distributed to all the employees who were deemed to have an understanding about the department's strategies and how they affected the overall organization. This resulted to a total of 38 questionnaires being distributed to all the targeted employees. The questionnaire was designed to address the research questions. The questionnaire consisted of both open and close-ended questions and also Likert type questions that were intended at weighing perceptions of respondents on the factors under study.

An introductory letter accompanied the questionnaire so as to give authenticity to the research and explain the purpose of the survey. The researcher requested the questionnaire to be filled and collected as arranged and communicated within a period of 2 weeks.

3.4 Data Analysis

The data and information obtained through the questionnaire was first checked for completeness. The questionnaires found correctly filled and fit for analysis were coded and all the data entered into statistical package for social sciences and analyzed based on descriptive statistics. The descriptive statistics that were used included mean scores, percentages and ratios. Percentages were used to determine the effect of strategic procurement on organizational performance. Mean scores were computed to establish the challenges and measures to cope with the challenges that emanate from strategic procurement. The results from the analysis were then presented using tables and pie chart for easier interpretation.

CHAPTER FOUR: DATA ANALYSIS, INTERPRETATION AND DISCUSSION

4.1 Introduction

This chapter considers the results and findings from the questionnaire survey. The findings of the study are presented according to the research questions. There were 38 questionnaires distributed to the selected employees at CCK Centre along Waiyaki Way in Nairobi.

4.2 Response Rate

Of the 38 questionnaires sent to the sampled subjects, 35 were filled and returned which translated to 92% response rate. According to Mugenda and Mugenda (2003), a response rate of over 60% of the respondents is considered adequate but if unresponsive rate is high, the researcher is required to do a follow up study to check the factors behind the lack of response since it can be a relevant factor in the study. High response rates reduce the risk of bias in the responses. This high response rate was achieved by the great cooperation between the researcher and the respondents. All the returned questionnaires were found fit for analysis.

4.3 General Information

4.3.1 Designation of Respondents

The study sought to establish the designation of the respondents. Findings are presented in table 4.1.

Table 4.1: Designation of Respondents

Designation	Frequency	Percent
Director	1	3
Middle manager	5	14
Lower manager	8	23
Employee	21	60
Total	35	100

Findings presented in table 4.1 indicate that 1 (3%) of the respondents were directors while 5 (14%) indicated to be middle managers. Eight (23%) of the respondents were lower level managers while 21 (61%) of the respondents were just employees without any managerial responsibility. All the respondents indicated to be conversant with

procurement regulations and they also indicated that procurement processes and systems had changed following the enforcement of the Public procurement and disposal Act 2005 in 2007.

4.4 Procurement and Performance

For a strategy to be important and sustainable, it has to give the implementing organization an edge in terms of productivity, competitiveness or performance. Respondents were required to rate their level of agreement on the effect strategic procurement had on CCK's performance. Statements were rated on a 5 point likert rating scale with 1= strongly disagree and 5 = strongly agree. Data was analyzed and presented in table 4.2.

Table 4.2: Procurement and Performance

Statement	Mean scores
Strategic Procurement Maximizes value in sourcing and disposal	3.72
Strategic Procurement lowers costs associated with purchasing and disposal	4.22
Strategic Procurement Promotes competition among our suppliers	4.21
It ensures that competitors are treated fairly	2.97
Leads to continuous and meaningful engagement with procurement professionals and partners to inform strategy and drive quality, service design and resource utilization	4.21
Promotes and specifies continuous improvements in quality and outcomes through provider innovation and configuration	4.17
Facilitates promotion of staff competencies	2.22
Stimulates coordination of sourcing and other departments of the company	4.16
Results in delays in the procurement process thus lowering efficiency	4.78
Results in complaints from suppliers and many appeals which wastes time	4.14
Strategic procurement has generally increased the company's sourcing costs	4.37

Findings presented in table 4.2 indicate that respondents felt that strategic procurement lowers costs associated with purchasing and disposal (4.22). These results concur with the results from a study by McCue and Prier (2006) that strategic sourcing and supplier development have become important elements in the competitive strategies of firms faced with the challenge of shaving their costs and increasing efficiency without compromising quality and customer service. Findings also indicate that strategic procurement promotes competition among the suppliers of CCK (4.21).

Strategic procurement was also thought to lead to continuous and meaningful engagement with procurement professionals and partners to inform strategy and drive quality, service design and resource utilization (4.21). Findings also indicate that strategic procurement at CCK promoted and specified continuous improvements in quality and outcomes through provider innovation and configuration (4.17) and it stimulates coordination of the sourcing and other departments of the organization (4.16). However strategic procurement on the other hand was linked to delays in the procurement process thus lowering efficiency (4.78), complaints from suppliers and many appeals which waste time (4.14) and that it has generally increased the organization's sourcing costs (4.37). These findings concur with the results from a study by Wheatley (2008) which established that ineffective procurement coordination can hamper the growth and competitiveness of the organization in the market. This is particularly compounded when the same product, or service, is bought under differing part numbers of service description.

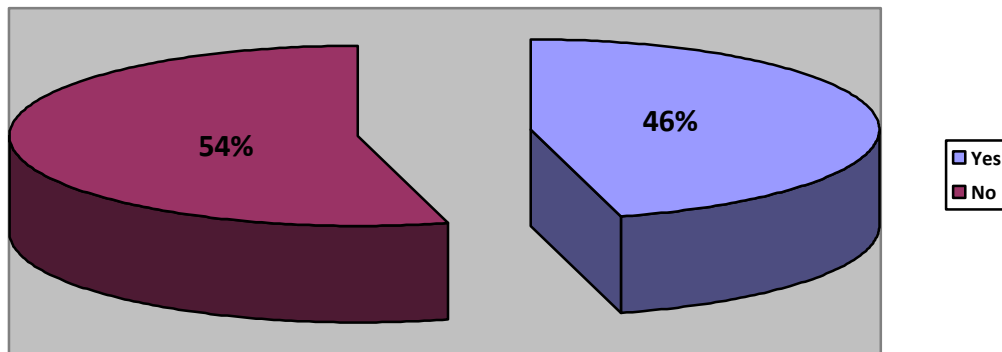
Wheatley argues that this problem is particularly acute in military, automotive, aerospace and electronics applications but is by no means restricted to those industries or indeed their suppliers. The findings from this study also reveal that CCK's strategic procurement does not meet seven key success factors identified by Smith and Conway (2003) which characterize effective strategic procurement. These include a clear procurement strategy, effective management information and control systems, development of expertise, a role in corporate management, an entrepreneurial and proactive approach, co-ordination and

focused efforts. Clearly CCK performed poorly on development of expertise, a role in corporate management and having an entrepreneurial and proactive approach.

The findings also agree to the results from a study by Kopczak and Johnson (2003) that when there a lot of procedures and hierarchies in procurement, procurement prices and costs associated with the internal workflow of activities rise causing more harm than good. Accordingly, a general capability to generate and sustain lower procurement costs should reflect the sub-capabilities to keep procurement prices and the costs of complementary activities at a low level. Christopher and Gattorna (2005) also found that cost reductions in the procurement domain allow the firm to pursue price competition strategies in downstream markets and sustain growth and competitiveness.

Further the study sought to establish whether strategic procurement had enabled CCK to be more productive. Results are presented in figure 4.1.

Figure 4.1: Has Strategic Procurement Enhanced Performance



Findings indicate that 54% of the respondents felt that strategic procurement had not wholly enhanced performance of CCK as expected. Forty six percent of the respondents on the other hand linked strategic procurement to enhanced organizational performance. These findings concur with the findings from a study by Lipchak (2002) which indicated that good governance based on transparency, accountability and trust (and similar values) has become a shared goal among governments around the world. He goes on to say, however, that achieving this goal requires a common approach to the establishment of record keeping programs – programs that enable and support effective good governance and if these programs are missing, the procurement division lacks to contribute to the

overall performance of the organization. This is an indication that procurement at CCK has failed to internalize important tenets which has made it not bring forth the expected benefits.

4.5 Challenges in Implementing Strategic Procurement

An organization is usually faced with certain challenges in its path towards strategy formulation and implementation. The challenges may be specific to the organization or they may be general to all the industry and environment the organization is operating in. The study sought to establish the challenges faced by CCK on its path towards incorporating strategic procurement in its acquisition and disposal of products and services. Respondents were required to state their level of agreement to indicated challenges and analysis was through mean scores. The statements that the respondents agreed with had high means scores while those they disagreed with had low mean scores. Results of the likert type question are presented in table 4.3.

Analysis of results indicate that the major challenges that have been faced by CCK in its strategic procurement process include volatility of the technological environment (4.34), employees not commanding the requisite skills in strategic planning (4.35) and lack of management commitment to strategic plans (4.57). These results agree with the findings from a study by Cox (2006) whose study established that the environment in which companies and their procurement department's trade in has changed dramatically in recent years.

Cox observed that globalization has opened new markets both for sales and for purchasing companies and they now have access to suppliers outside their traditional domestic markets and their growing global enterprises require suppliers that have global coverage. Cox also observed that information and communication technologies are also helping to increase the leverage of procurement organizations by allowing companies to track purchases across their entire enterprise and consolidate purchases.

Table 4.3: Challenges in Implementing Strategic Procurement

Challenges	Mean Scores
Government policies and regulations (Procurement Act 2005)	3.86
Stiff competition from different suppliers	1.28
Volatility of the technological environment	4.34
Employees not having the requisite skills in strategic planning	4.35
Lack of management commitment to strategic plans	4.57
Lack of adherence to formulated strategies	4.46
Structure and culture of the company not being in line with strategic plans of the department	2.14
Our strategic planning is usually affected by insufficient capital to implement the plans formulated	2.45
Lack of cooperation and teamwork during implementation hinders success of organization plans	4.11
Changing technology lending some plans unworkable midway	3.04
Misalignment of the strategic plans with the company culture	4.42
Non-alignment of the strategic plans to the leadership	4.56
Lack of fit between strategic plans and company structure	1.78
Having too many ideas in the strategic planning process	1.97

Other challenges include lack of adherence to formulated strategies (4.46) and lack of cooperation and teamwork during implementation which hinders success of organization plans (4.11). This result negates what Wu *et al.* (2007) found to be the major building blocks of an effective procurement strategy together with its implementation and review. Wu et al found that procurement strategy required the participation of a number of people which was not the case in CCK.

The formation of a cross-functional team or working group may be a suitable means of reviewing the current situation, defining objectives, agreeing a strategy and planning and reviewing progress. A key task for a procurement strategy team includes identifying key

suppliers and their performance, reviewing stockholdings and examining the current range of operating procedures.

Other challenges which hampered strategic procurement mentioned included misalignment of the strategic plans with the company culture (4.42) and non-alignment of the strategic plans to the leadership (4.56). This finding concurs with what Murray (2009) found out in a study involving procurement in government agencies. Murray established that it is not for public procurement managers but political leaders to make the choice regarding the government's specific objectives, but it is public procurement managers' professional duty to develop and present options. This according to the study by Murray brought misalignment and sometimes conflict between public managers and politicians which made it hard for strategic targets to be met.

4.6 Measures to Cope With Challenges

To remain competitive and relevant in any industry, an organization needs to continually reinvent itself and ensure it remains relevant and important for its purpose. One way to ensure that is to continually review its strategies by ensuring that challenges that come up which were unforeseen or unprecedented are dealt with wholly and conclusively. Since challenges come in different complexities and times, the organization should always be in a position to be proactive and have reliable and relevant responses to its challenges.

The study therefore sought to establish the strategic responses or measures that CCK had put in place to counter the challenges into its strategic procurement process. Statements to weigh measures adopted were framed to assess the extent to which CCK was able to deal with the challenges. The statements were rated on a 5 point likert scale where 1 = strongly disagree and 5 = strongly agree. Results are presented in table 4.4.

Analyses of findings in table 4.4 indicate that respondents felt that CCK was in a better position to deal with its challenges through a diverse range of means. One way is through ensuring processes, policies and regulations are followed during the procurement process (4.36). Respondents also felt that there should be better information sharing with other

departments (4.21) and there should be undertakings of robust and regular needs assessments that establish a full understanding of current and future needs and requirements (4.37). Other measures put forth by respondents included prioritizing investments according to local needs, service requirements and the values of public procurement (4.17) and effectively managing systems and work in partnership with providers to ensure contract compliance and continuous improvements in quality and outcomes (4.72). Respondents also felt that CCK can cope well with the challenges in its strategic procurement by securing employees with current procurement skills that ensure robust and viable processes and contracts (4.09).

Table 4.4: Measures to Cope With Challenges

Statement	Mean Scores
There is poor management of knowledge	1.44
Ensuring processes, policies and regulations are followed during the procurement process	4.36
There should be better information sharing with other departments	4.21
There is no undertaking of robust and regular needs assessments that establish a full understanding of current and future needs and requirements	4.37
Prioritizing investment according to local needs, service requirements and the values of public procurement	4.17
Effectively managing systems and work in partnership with providers to ensure contract compliance and continuous improvements in quality and outcomes	4.72
Securing procurement skills that ensure robust and viable processes and contracts	4.09
Ensure procurement objectives are matched to those set out in the corporate strategy	3.97
Reform and improvement of the Procurement Act 2005	3.89

Other statements which did not attract a high level of agreement but which attracted positive responses included reforms and improvements of the Procurement Act 2005 to

make it more responsive to the changing procurement function in the public service (3.89) and ensuring procurement objectives are matched to those set out in the corporate strategy (3.97). These findings concur with the results from a study by Atkinson (2003) that purchasing professionals are held to higher standards of ethical conduct than people in other professions, yet some do not even know what is expected of them. The professionals should be provided with accurate information of what is expected of them. The better the quality of information provided the less likely that it will result in an unsatisfactory purchase.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the outcome of the study. It provides a summary of findings and their interpretation and then lays down the conclusions drawn from the findings. The researcher then provides recommendations on the gaps identified in the study. Lastly, the researcher gives recommendations for further research studies to be carried out in this area.

5.2 Summary of Findings

The study sought to investigate the impact of strategic procurement in CCK. Specifically, the study sought to establish the impact of procurement in organizational performance in CCK, to determine the major challenges affecting procurement in CCK and to find out effective measures that can be employed to address the procurement challenges.

Findings on the impact of strategic procurement in CCK indicate that strategic procurement lowers costs associated with purchasing and disposal (4.22). Findings also indicate that strategic procurement promotes competition among the suppliers thus making them provide the best product or service to the organization (4.21). Strategic procurement was also thought to lead to continuous and meaningful engagement with procurement professionals and partners to inform strategy and drive quality, service design and resource utilization (4.21).

Findings also indicate that strategic procurement at CCK promoted and specified continuous improvements in quality and outcomes through provider innovation and configuration (4.17) and it stimulates coordination of the sourcing and other departments of the organization (4.16). However strategic procurement on the other hand was linked to delays in the procurement process thus lowering efficiency (4.78), complaints from suppliers and many appeals which waste time (4.14) and that it has generally increased the organization's sourcing costs (4.37).

Findings from the study also indicate that 54% of the respondents felt that strategic procurement had not wholly enhanced performance of CCK as expected. Forty six percent of the respondents on the other hand linked strategic procurement to enhanced organizational performance.

The study sought to establish the challenges faced by CCK on its path towards incorporating strategic procurement in its acquisition and disposal of products and services. Analysis of results indicate that the major challenges that have been faced by CCK in its strategic procurement process include volatility of the technological environment (4.34), employees not commanding the requisite skills in strategic planning (4.35) and lack of management commitment to strategic plans (4.57). Other challenges include lack of adherence to formulated strategies (4.46) and lack of cooperation and teamwork during implementation which hinders success of organization plans (4.11). Other challenges which hampered strategic procurement mentioned included misalignment of the strategic plans with the company culture (4.42) and non-alignment of the strategic plans to the leadership (4.56).

To remain competitive and relevant in any industry, an organization needs to continually reinvent itself and ensure it remains relevant and important for its purpose. One way to ensure that is to continually review its strategies by ensuring that challenges that come up which were unforeseen or unprecedented are dealt with wholly and conclusively. Since challenges come in different complexities and times, the organization should always be in a position to be proactive and have reliable and relevant responses to its challenges.

The study sought to establish the strategic responses or measures that CCK had put in place to counter the challenges into its strategic procurement process. Analyses of findings indicate that respondents felt that CCK was in a better position to deal with its challenges through a diverse range of means. One way is through ensuring processes, policies and regulations are followed during the procurement process (4.36). Respondents also felt that there should be better information sharing with other departments (4.21) and

there should be undertakings of robust and regular needs assessments that establish a full understanding of current and future needs and requirements (4.37).

Other measures put forth by respondents included prioritizing investments according to local needs, service requirements and the values of public procurement (4.17) and effectively managing systems and work in partnership with providers to ensure contract compliance and continuous improvements in quality and outcomes (4.72). Respondents also felt that CCK can cope well with the challenges in its strategic procurement by securing employees with current procurement skills that ensure robust and viable processes and contracts (4.09). Other statements which did not attract a high level of agreement but which attracted positive responses included reforms and improvements of the Procurement Act 2005 to make it more responsive to the changing procurement function in the public service (3.89) and ensuring procurement objectives are matched to those set out in the corporate strategy (3.97).

5.3 Conclusions

From the study findings, the following conclusions are made. First, strategic procurement at CCK has brought with it benefits such as reduced costs, competition among suppliers thus making them provide the best product or service to the organization, leading to continuous and meaningful engagement with procurement professionals and partners to inform strategy and drive quality, service design and resource utilization.

Strategic procurement at CCK has also promoted and specified continuous improvements in quality and outcomes through provider innovation and configuration and has stimulated coordination of the sourcing and other departments of the organization. However procurement at CCK on the other hand has been linked to delays in the procurement process thus lowering efficiency. These inefficiencies in the procurement should be streamlined and bureaucracy reduced so as to make strategic procurement at CCK attain the set down objectives.

On challenges facing procurement at CCK, the study concludes that the organization is faced with serious challenges which have hampered the role of strategic procurement in the organization. Unprecedented changes and volatility in the technological environment, lack of requisite skills in employees to undertake strategic procurement, lack of management commitment to strategic plans and inadequate adherence to formulated strategies are serious challenges which if not controlled and managed can seriously dampen the role of strategic procurement at CCK.

Lack of cooperation and teamwork during implementation was another hindrance to the effectiveness of CCK's strategic procurement plans. Other challenges which hampered strategic procurement at CCK included misalignment of strategic procurement plans with the company culture and non-alignment of the strategic plans to the leadership. These are serious challenges and CCK top management should work in harmony to ensure that political and organizational goals are in agreement since it is only through that that a government agency can fulfill its mandate.

To remain competitive and relevant in any industry, an organization needs to continually reinvent itself and ensure it remains relevant and important for its purpose. One way to ensure that is to continually review its strategies by ensuring that challenges that come up which were unforeseen or unprecedented are dealt with wholly and conclusively. Since challenges come in different complexities and times, the organization should always be in a position to be proactive and have reliable and relevant responses to its challenges.

The study sought to establish the strategic responses or measures that CCK had put in place to counter the challenges into its strategic procurement process. From the findings, the study concludes that CCK had tried in earnest to deal with the challenges that has come its way but the organization needs to do more if its procurement division will effectively contribute to the organization as a whole. Measures taken by CCK to deal with its challenges include ensuring processes, policies and regulations are followed during the procurement process, better information sharing with other departments, undertakings of robust and regular needs assessments that establish a full understanding

of current and future needs and requirements and prioritizing investments according to local needs, service requirements and the values of public procurement. The study also concludes that CCK should effectively manage systems and work in partnership with providers to ensure contract compliance and continuous improvements in quality and outcomes. CCK can cope well with the challenges in its strategic procurement by securing employees with current procurement skills that ensure robust and viable processes and contracts.

5.4 Recommendations

From the study findings, the study recommends that procurement should always be considered as a strategic player in the value chain as it usually represents one of the largest expense items in a firm's cost structure especially government agencies. An evaluation of strategic procurement effectiveness should include how much does the procurement operation actually cost, how much value it delivers to the overall organization, whether it is targeted on goals that align with the strategic plan of the overall organization and what progress is being made towards meeting these goals. Procurement should also be made accountable for the basic load of the organization and questions should be asked whether the infrastructure is being developed to meet the needs of the organization, by optimizing administration and inventory management.

The study also recommends that organizations should ensure they have competent employees in procurement and strategic management to chart a way forward for the procurement function. The organization should analyze how effective its staff development plan is at increasing the professional competence and standing of the supplies management function. Successful implementation of value-based management in this complex procurement function requires well-trained and educated employees.

The study also recommends a review of the public procurement and disposal Act 2005. This should be reviewed to ensure that it is aligned with the values and practicalities of the procurement function in Kenya. The Act should then be strongly enforced and therefore urgent measures are still needed to cope with the corruption in developing

nations. When procurement becomes costly, it may be a sign of corruption in the system. Some of the key impacts of corruption on procurement include a financial impact and an economic impact.

Financial impact or damage can consist of unnecessarily high cost of purchases, burdening a government with financial obligations for purchases or investments that are not needed and early repair costs to repair and maintain investments. Economic impact can consist in burdening a government with operational, maintenance and debt servicing liability for investments/purchases and when capital investment levels decrease because of corruption costs and threats to business operators. The government therefore, in conjunction with all agencies should work towards eradicating corruption in procurement as a priority.

5.5 Suggestions for Further Research

On further research, the study recommends that a similar study should be carried out in other government agencies especially the departments or ministries that deal in heavy equipment and bulk purchase of materials. This will establish the ways strategic procurement can be applied in these units to give value, reduce inefficiencies and promote good use of public finance. A lot of government revenue is spent in procurement which translates to the fact that good procurement practices can drive development in the public sector. Further research is therefore important in this field.

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APPENDICES

Appendix I: Letter of Introduction

Philip Kiplagat,
P. O Box 23581 – 00100,
Nairobi – KENYA,
July 14, 2010.

Dr. Respondent,

RE: RESEARCH PROJECT

I am a postgraduate student at University of Nairobi. As part of the requirements of the Masters of Business Administration, I am required to carry out an independent research project. The research project is titled ‘The Impact of Strategic Procurement in the Kenyan Service Sector, A Case of Communications Commission of Kenya’. To enable me to successfully carry out the study, a questionnaire is provided which will be the major basis of findings of the research.

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

Sincerely,

Phillip Kiplagat

Appendix II: Questionnaire for CCK employees

This Questionnaire is aimed at seeking views and opinions on the effects of the Strategic Procurement on performance of CCK.

Please answer the questions by ticking or filling on the space provided.

SECTION A. GENERAL INFORMATION

1. What is your Job Role or Title? _____
2. Which products/service categories are you involved in procuring?

3. Are you totally conversant with the strategic procurement practices at CCK?
 Yes []
 No []
4. Has procurement processes and systems changed in any way following the enforcement of the Procurement Act in 2007?
 Yes []
 No []

SECTION B: PROCUREMENT AND PERFORMANCE

1. Do you agree with the following statements about procurement processes and procedures and their effect on corporate performance? Use the following rating
 1- Strongly disagree 2 – Disagree 3 - Neither agree nor disagree
 4 – Agree 5 - Strongly agree

	1	2	3	4	5
Strategic Procurement Maximizes value in sourcing and disposal					
Strategic Procurement lowers costs associated with purchasing and disposal					
Strategic Procurement Promotes competition among our suppliers					
It Ensure that competitors are treated fairly					

Leads continuous and meaningful engagement with procurement professionals and partners to inform strategy and drive quality, service design and resource utilization					
Promotes and specifies continuous improvements in quality and outcomes through provider innovation and configuration					
Facilitates promotion of staff competencies					
Stimulates coordination of sourcing and other departments of the company					
Results in delays in the procurement process thus lowering efficiency					
Results in complaints from suppliers and many appeals which wastes time					
Strategic procurement has generally increased the company's sourcing costs					

2. Generally, can you say that strategic procurement has enabled CCK to be more productive? Yes [] No []

3. Specifically, how has strategic procurement improved performance of CCK?

.....

.....

.....

.....

SECTION C: CHALLENGES IN IMPLEMENTING STRATEGIC PROCUREMENT

1. In your own view, indicate the extent the factors listed in the table below affect

Strategic Procurement practice at CCK?

Very great extent [5] Great extent [4] Moderate [3]
 Low extent [2] Very low extent [1]

Challenges to strategic procurement	Ratings				
	1	2	3	4	5
Government policies and regulations (Procurement Act 2005)					
Stiff competition from different suppliers					
Volatility of the technological environment					
Employees not having the requisite skills in strategic planning					
Lack of management commitment to strategic plans					
Lack of adherence to formulated strategies					
Structure and culture of the company not being in line with strategic plans of the department					
Our strategic planning is usually affected by insufficient capital to implement the plans formulated					
Lack of cooperation and teamwork during implementation hinders success of our plans					
Changing technology lending some plans unworkable midway					
Misalignment of the strategic plans with the company culture					
Nonalignment of the strategic plans to the leadership					
Lack of fit between strategic plans and company structure					
Having too many ideas in the strategic planning process					

2. In your opinion, what can you rate as the major 3 challenges hindering strategic planning in the procurement division?

- i).....
- ii).....
- iii).....

SECTION D: MEASURES TO COPE WITH CHALLENGES

1. Rate your level of agreement with the following statements about how to cope with challenges in strategic procurement? Use the following rating

- 1- Strongly disagree 2 – Disagree 3 - Neither agree nor disagree
 4 – Agree 5 - Strongly agree

	1	2	3	4	5
There is poor management of knowledge					
Ensuring processes, policies and regulations are followed during the procurement process					
There is good information sharing with other departments					
There is no undertaking of robust and regular needs assessments that establish a full understanding of current and future needs and requirements					
Prioritizing investment according to local needs, service requirements and the values of public procurement					
Effectively managing systems and work in partnership with providers to ensure contract compliance and continuous improvements in quality and outcomes					
Securing procurement skills that ensure robust and viable processes and contracts					
Ensure procurement objectives are matched to those set out in the corporate strategy					
Reform and improvement of the Procurement ACT 2005					

2. What specific measures do you recommend to deal with the challenges you have identified in the procurement strategies at CCK?

.....

Thank you for taking the time to complete this survey.