

**CHALLENGES OF IMPLEMENTING PROCUREMENT STRATEGY
AT THE KENYA POWER AND LIGHTING COMPANY LIMITED**

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DECLARATION

This research project is my original work and has never been presented in any other University/ College for a ward of Degree/Diploma/Certificate.

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DEDICATION

To my late parents:

Thank you for your care to be alive today

To my wife and children:

Your cooperation and understanding was my success

To my workmates in the Department:

Your rededication to work in my absence contributed to my success

Above all, to my Almighty God:

Without you Jesus, nothing is possible

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I wish to take this opportunity to personally appreciate the long and challenging journey of MBA program, which is now successfully completed. This program could not have been successful without moral and material support from my well wishers, who kept encouraging me particularly those who gave guidance and assistance in providing data that is herein reported.

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ABSTRACT

The study focused on Procurement Function in KPLC within a concept of a multifunctional company. Among strategic procurement studies that have been done, very few have focussed on the implementation aspect. More so, these few ones have laid their focus more on other concepts other than multifunctional concept. This study was designed to fill the gap by emphasizing procurement strategy implementation in a multifunctional concept. It sought to answer the questions: what are the challenges affecting implementation of procurement strategy at the Kenya Power and Lighting Company Limited? Consequently, it proposed to achieve two objectives: to establish the challenges affecting implementation of procurement strategy at the Kenya Power and Lighting Company Limited; and to determine measures to address the challenges of implementation of procurement strategy at the Kenya Power and Lighting Company Ltd. The key findings of the study were that Procurement Function in KPLC adopts various practices in implementing its strategies. Among the action plans embedded in the Function include the adherence to the procurement plan, material specification and quality, tender evaluation and management of framework contracts among others. The study established that whilst the practices that the Procurement Function uses to support its strategies, aspects of uncontrollable factors in the environment, inadequate training of staff and resources, substandard and un conforming materials, lack of specifications, unreliable and distant suppliers, long and laborious procurement lead time and reduction and inadequate funds among others were major obstacles to successful implementation of procurement strategy in KPLC. The study is presented in five chapters each with various sections through which the researcher has tried to discuss the above issues. The findings of this study should be understood and evaluated in light of the limitations of the study. This study is especially helpful to KPLC and other similar companies in Kenya. It should be particularly helpful to the company's strategic team and managers of multifunctional organizations whose responsibilities include formulating and implementing strategies. The study recommends top management to look at the limitations in the procurement processes discussed herein and adopt best practices for policy development. Further research should be directed to the Function's bidding process for further improvement.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

An organisation with committed leadership and has embraced strategy approach in doing business gains competitive advantage in the market. A good strategy builds on and exploits to the fullest extent the organization's resources and abilities as it aims to create the best possible fit between the organization and its mission, on one hand, and the organization's external environment, on the other hand. The way that an organisation succeeds in the competition with its rivals is by doing something that gives it an advantage in the eyes of consumers of its products and services. An organisation in this sense can perform activities that are different from its competitors' activities; it can perform the same activities as its competitors do but in different ways and it can perform the same activities at lower cost than its competitors. Procurement Strategy and supplier development are the main pillars for business success of a firm faced with the challenge of cutting down costs and increasing efficiency without compromising on quality and customer service (McCue and Prier, 2006).

Implementation of a strategy requires effective operationalization and institutionalization of that strategy. Operationalization requires ample resources and appropriate role definitions while institutionalization requires aligning strategy with all firm-level institutions. The Resource Based View and Dynamic Capabilities Theory provide that an organization should possess important resources and over time develop them to ensure effective implementation of strategy. Institutionalization of strategy is largely informed by North's (1991) institutional theory as well as McKinsey 7s frame work (Peters and Letterman, 1982).

Bastedo, (2004) postulates that in the open systems theory organizations are strongly influenced by their environment. The environment provides key resources that sustain the organization and lead to change and survival in the open Market. Danneels (2002) argues that it is essential for the Resource Based View to have a dynamic perspective, so as to understand how firms evolve over time, through their deployment and acquisition of resources, and because firms must continuously renew and reconfigure themselves if they are to survive. Dynamic capabilities are built rather than bought in the market (Makadok, 2001). They are organizational processes in the most general sense (Helfat *et al.*, 2007) or routines (Zollo and Winter, 2002) which may have become embedded in the firm over time, and are employed to reconfigure the firm's resource base by deleting decaying resources or recombining old resources in new ways (Simon and Hitt, 2003). Mckensey's 7s model framework is a management model that describes 7 factors (strategy, structure, systems, shared values, style, staff and skills) that organize a company in a holistic and effective way. Together these factors determine the way in which organizations operate. Managers should take into account all seven of these factors to be sure of successful implementation of a strategy. The relative importance of each factor may vary over time. Waterman, Jr. and Peters (1980's) developed this model in Search of Excellence in developing a strategy. The model is most often used as a tool to assess and monitor changes in the internal situation of an organization. North, (1991) in his institutional theory offers a broad perspective on how institutions persist and change, superseding his own work on incentives toward efficient institutions. His focus is on the interaction of institutions to take advantage of the opportunities in shaping development of economies.

1.1.1 Challenges of Implementing Strategy

The introduction of the public procurement and Disposal Act (PPDA) of 2005 and the Procurement Regulations of 2013 and enactment of Public Procurement Oversight Authority (PPOA) have introduced new standards for public procurement in Kenya. Kenya Power and Lighting limited has reviewed its strategy of acquisition of goods and services at the right cost, in the right quality and quantity, at the right time, in the right place and from the right source so as to enhance business operations. Regardless of the above realignment, KPLC faces a number of challenges in implementation of Procurement strategy. There is customer dissatisfaction evidenced through complaints of poor customer service in terms of connectivity with power, delay in acquisition of goods and services, delay in response to power outages and interruptions and delay in payment of service providers/suppliers. It is therefore necessary for the researcher to determine the root cause of these challenges and the mitigating solutions to the challenges.

1.1.2 The Concept of Strategy Implementation

Strategy implementation is the translation of chosen strategy into organizational action so as to achieve strategic goals and objectives. It is the manner in which an organization should develop, utilize, and amalgamate organizational structure, control systems, and culture to follow strategies that lead to competitive advantage and a better performance. Successful strategy implementation depends on a good internal organization and competent personnel.

Matching structure to strategy requires making strategy-critical activities and organizational units the main building blocks in the organization structure. Koyio (1999) observes that the search for appropriate organizational structures is not anew activity. It was started way back 1950's. Chandler (1962) found that changes in an organization's strategy bring about

administration problems, which in turn require a new or a refashioned structure for the new strategy to be successfully implemented.

Thompson, Gamble, and Strickland (2006) describe various steps leading to strategy implementation in organizational setting: Staffing the organization with the needed skills and expertise, consciously building and strengthening strategy supportive competencies and competitive capabilities, and organizing the work effort, befitting a company culture and work climate conducive to successful strategy implementation and execution. Hunger and Wheelen (1995) see it as the process of developing budgets that steer ample resources into those activities critical to strategic success by ensuring that policies and operating procedures facilitate rather than impede effective execution and use the best-known practices to perform core business activities and push for continuous improvement. A good strategy execution exerts the internal leadership needed to drive implementation forward and keep improving on how the strategy is being executed.

According to Lynch (2000), Pearce and Robinson (1997), strategy implementation is usually carried out at functional level, where decisions are made to implement the overall strategy formulated at the corporate and business levels. Consolidation of the functional requirements is necessary for corporate and business strategies, and also the constitution of depositories of the ultimate capabilities needed to develop the unique competencies of the firm (Hax and Majluf, 1996). Resultant strategies focus on: Research and Development, Technology and Engineering, Supply chain management (Procurement), Manufacturing, Marketing, Promotion and Distribution, Human Resources, and Financial strategies among others. Researchers (Alexander, 1991; Giles, 1991; Aosa, 1992; Galphin, 1998; Koske, 2003; Muthuiya, 2004), have revealed a number of challenges in strategy implementation. These include weak management roles, lack of communication, lacking commitment to strategy,

and unawareness or misunderstanding of the strategy. Other problems are unaligned systems, structures, and resources; poor coordination and sharing of responsibilities, inadequate capabilities, competing activities and uncontrollable factors in the external environment. Strategy may not take off swiftly if inappropriate executives are involved.

1.1.3 Procurement Strategy

According to Soellner, Mackrodt (1999), Procurement strategy can be distinguished along three key objectives of achieving total cost leadership, positioning the organisation favourably in the value chain and creating growth opportunities so as to achieve value for money from spend analysis. Hess (2004) identifies four areas that describe procurement strategy: Sourcing concepts, portfolio approaches, process approaches and task-focused approaches. These have helped organizations to craft a realizable sourcing strategy for goods and services at right price, the time, the right source, the right quality and quantity for enhancement of business growth.

Procurement Strategy sets out to identify the effective means of procuring goods and services to achieve the required standards through: developing a procurement plan, ensuring that procurement supports delivery of the organization's vision, enabling creative approaches to procurement by placing outcomes at the centre. The plans should be adhered to from time to time for realization and realignment to corporate goals. Proper spend analysis is critical to evaluate the nature of goods and services procured, sources of supply, the lead time and ultimate expenditure of the procured goods and services. This will help the organization adopt lean procurement as and when need arises. The objective is to ensure that quality and measurable outcomes can be achieved for goods and services procured for an organisation. In

implementing this procurement strategy, an organisation is expected to realise various benefits like improved value for money, more efficient and effective procurement, effective partnership with suppliers, benefit and development of the local economy, effective collaboration between service providers, better risk analysis and management, better planning and savings based on economy of scale and qualitative, Consistent and a managed approach to Procurement (Caldwell, Bakker and Read, 2007).

Alvier, Campos and Lesa (2010) argue that a successful procurement strategy is achieved by identifying key saving potential areas and driving innovative sourcing models which can enable operators to reinvent their cost structures. For example by turning traditionally fixed costs into variable through outsourcing models. Focusing the resources on the most relevant sources of cost, the procurement function can support the operator in achieving critical efficiency improvements in the short term. This is achieved by direct or indirect manipulation of the key purchase levers of price of goods and volume of purchase. They further argue that robust sourcing model is essential for the overall success of strategic procurement since it is required at all levels in the organisation. In order to procure different items under each category, the sourcing model needs to advance deeper into the aspects of spend analysis, supplier relationship management, and category plans. Sourcing options in the supplier market can either be from local or international vendors. A detailed assessment of the different supplier options should be undertaken, weighing various criteria, such as price, lead time, quality, on-site support and long term conditions, amongst others. Here, procurement personnel should use their creativity in exploring alternative supply options. A supplier pre-qualification process to ensure they comply with requirements aligned with procurement strategy and policies is also necessary. In as much as the strategy is in place it can at times face some teething challenges like the spend analysis which usually starts with purchasing

and strategic sourcing, where one has to request IT support or look within their own department for resources. Many times the purchasing team is consumed with daily tasks such as buying basic materials for the organization. Although the need for IT support has lessened significantly, the team still needs to allocate resources to spend analysis and strategic sourcing to drive leverage across the organization (Thai, 2007).

1.1.4 Energy Sector in Kenya

The Energy Sector in Kenya consists of Companies under the Ministry of Energy and Petroleum. These firms include: KenGen – Kenya Generating Company Limited, REA – Rural Electrification Authority, KPLC – Kenya Power and Lighting Company Limited, KETRACO - Kenya Transmission Company, ERC – Energy Regulation Commission, GDC – Geothermal Development Company, KPC – Kenya Pipeline Company, Oil Refineries and IPP's - Independent power producers that include Ibera Africa and Ngong Hills Wind Energy.

The organizations have a procurement strategy in place and an explicit procurement plan but implementation of the same has been a challenge in the recent past. The Nairobi stock exchange and financial statements have that the performance of these organisations in terms profit has not been up to the stakeholders' expectation as the procurement processes are riddled with many similar challenges ranging from the source of materials to the quality of the goods and services supplied.

Procurement procedures in the Energy Sector, particularly in REA and KETRACO are evidently long and laborious hence delay in acquisition of goods and services as the sources

of supply are in the overseas (Material Catalogues, 2007 and 2009). Ineffective procurement has hampered the growth and competitiveness of these organizations in the market. Procurement personnel in this Sector in more often than not do not think in terms of the potential strategic implications of their actions and routinely do not interact with other functional managers to develop coherent and integrated strategies (Employee satisfaction survey, 2010/2011 and 2011/2012) by m/s Pan Africa Research Limited.

1.1.5 The Kenya Power and Lighting Company Limited

The year 1922 was the beginning of a new era when the two utilities – Nairobi Electric Power and Lighting Syndicate, and Mombasa Electric Light and Power Company Limited – merged under a new company incorporated as the East African Power and Lighting Company (EAP&L). The amalgamation was necessitated by the need for a steady reservoir of power that would effectively serve the two towns and their environs. Then the Kenyan Government for the first time became a substantial shareholder in the industry when it partly owned the Kenya Power Company set up in 1954 for the purpose of transmitting power from Uganda through the Tororo-Juja line. This infrastructure would enable Kenya import power from the Owen Falls Dam in Uganda. The Kenya Power Company was to be managed by the East African Power and Lighting Company. On June 22, 2011 Kenya Power & Lighting Company (KPLC), the Kenyan electricity provider, was rebranded by shortening its name to Kenya Power and introducing a new corporate identity. The rebrand is part of a larger strategy which includes increasing population access to electricity and making the company better in all sorts of ways.

The organisation is tasked with the responsibility of transmission and distribution of energy so as to enhance customer connectivity, improve delivery of customer services, achieve financial stability and sustainability, improve transmission and distribution efficiency and modernizes operations through automation in order to enhance efficiency. The organization has a Procurement Function with its headquarters in Nairobi. The function is represented by Regions in Mombasa, Nakuru, Kisumu, Eldoret, Nyeri and Thika headed by Senior Officers to oversee all the procurement activities carried out in these Regions.

The Procurement function in this organization is charged with the responsibility of conducting the procurement activities strategically with a view to enhance the Company's business growth in terms of connecting new customers with electricity, revenue collection and ensuring quality of supply of electricity. Most of the materials that the organization procures for construction of its power lines are overseas sourced and this particular procurement is centrally based. Materials that are locally available are decentralized to Regions but to limited quantity. It is evident that the organization has a procurement strategy but it faces quite a number of challenges in implementing the strategy to ensure adequate supply of materials as and when required.

The performance of this organization in terms of procurement strategy of goods and services in the recent past has been below expectation and this has raised anxiety among the stakeholders. According to KPLC Customer satisfaction survey of 2010, 2011 and 2012, carried out by m/s Consumer Options Limited, it is notable that the percentage index has been fluctuating i.e 69%, 70% and 66% respectively. There is registered complaint from the organization's user departments, customers and Suppliers through media that the delay in procurement of goods and services and the quality of most of these goods procured do not meet the specifications and required standards for the intended purpose. The delay in response to blackouts and emergency cases has raised eyebrows among the stakeholders.

There is public concern that the underperformance of this organisation is related with mediocre implementation of procurement strategy that has contributed to minimum posting of profit margins, hence an empirical study is necessary.

1.2 The Research Problem

Organisations that improve their procurement strategy create a competitive advantage. There is therefore need for continuous improvement for survival in the competitive business environment. Porter (1985) postulates that competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost or deliver benefits that exceed those of competing products. Procurement as a function is faced with challenges for implementation and some of these challenges include rapid developments in Technology (which have led to new procurement methods). Public procurement cannot be perceived as 'mere clerical routine', as procurement practitioners are and should be involved in strategic planning (Hinson and McCue, 2004).

KPLC has been in the limelight in not meeting customers' expectation in terms of quality of supply of electricity, response time to power outages and response time to new power connections. This has been an uphill task for the organisation in customer satisfaction as the percentage index stands 67. There is evident shortage of critical materials as quite a number of construction jobs that are pending completion. Most of the materials are sourced from overseas suppliers hence prolonging procurement lead time (Consumer Option, 2011/2012)

In Kenya, studies have been carried out on the challenges in the implementation of procurement strategy (Obiero, 2008 and Kiburi, 2008). Obiero, (2008), study shows that government policy, poor implementation of the procurement strategy in the Ministry of education. Kiburi, (2008) study indicates that there is need to compete with the competitors

with the changing environment mostly in technology that is competitive. This market is the major factor that has influenced firms to adopt e-procurement to turn around their business. According to Kenya Gazette Supplement Atc, 2005, the research that was conducted on the procurement Act and the irregularities affecting the public sector, none has focused on challenges on the implementation of 2005 Procurement Act in the public sector. However, no study has focussed on challenges that Kenya Power & Lighting Company faces in the implementation of procurement strategy. It is against this backdrop of this knowledge gap that this study would be carried out: What are the challenges of implementing procurement Strategy at the Kenya Power and Lighting Company Limited?

1.3 Objectives of the Study

The objectives of the study were to:

- (i) Establish the challenges affecting implementation of procurement strategy at the Kenya Power and Lighting Company Limited.
- (ii) Determine measures to address the challenges of implementation of Procurement Strategy at Kenya Power and Lighting Limited.

1.4 Value of the Study

The findings of this study may help fill existing information gaps on implementation of procurement strategy and its challenges in multinational companies in Kenya. The findings will further provide information to future scholars who might need to research on the challenges to procurement strategy implementation in multinational companies in Kenya.

The study will bridge the gap in knowledge on procurement strategy implementation in multinational companies in Kenya and where necessary make recommendations for further study to enhance theory building.

The study will assist the organizations in policy development for the top management to adopt, formulate and implement the best policies and practices to help the organization in business growth and customer satisfaction. Based on the study, the top management will identify areas of weakness in the implementation of procurement strategy and take necessary steps to address the problem.

The findings and recommendations of the study will aid the organization in Managerial practice and decision making to enhance productivity. It will help the stakeholder participation, ownership, accountability and decision making in the implementation of best practices in procurement strategy.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Literature review 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 the same. Research in this view is aimed at making new contributions to body of knowledge by adding on to the existing theories developed and building on what has been developed. In this chapter, a discussion of the previous works on strategy in the organizations, underlying challenges and mitigating factors to address the challenges is presented.

2.2 The Theoretical Foundation of the Study

Bastedo, (2004) postulates that in the open systems theory organizations are strongly influenced by their environment. The environment consists of other organizations that exert various forces of an economic, political, or social nature. The environment also provides key resources that sustain the organization and lead to change and survival. Open systems theory was developed after World War II in reaction to earlier theories of organizations, such as the human relations perspective of Elton Mayo and the administrative theories of Henri Fayol, which treated the organization largely as a self-contained entity.

The theory of dynamic capabilities as envisioned by (Eisenhardt and Martin, 2000; Teece *et al.*, 1997) has evolved from the resource-based view (RBV) of the firm (Barney, 1986, 1991; Wernerfelt, 1984). RBV proponents argue that simultaneously valuable, rare, inimitable and non-substitutable resources can be a source of superior performance, and may enable the firm

to achieve sustained competitive advantage (Barney, 1991). Dynamic capabilities have lent value to the RBV arguments as they transform what is essentially a static view into one that can encompass competitive advantage in a dynamic context (Barney, 2001a, b). Dynamic capabilities are “the capacity of an organization to purposefully create, extend or modify its resource base” (Helfat *et al.*, 2007, p. 1) and over the last few years the concept has received much attention in the form of publications (e.g. Eisenhardt and Martin, 2000; Helfat and Peteraf, 2003; Teece *et al.*, 1997; Zollo and Winter, 2002) and conference presentations (e.g. Academy of Management meeting 2004-2006; Strategic Management conference 2004-2006). However, as highlighted in the British Journal of Management Special Call for Papers on, ‘The Practice of Dynamic Capabilities: Theory Development and Research’ and by Helfat *et al.* (2007) the concept is still in need of theoretical and empirical development.

Danneels (2002) argues that it is essential for the RBV to have a dynamic perspective, so as to understand how firms evolve over time, through their deployment and acquisition of resources, and because firms must continuously renew and reconfigure themselves if they are to survive. Dynamic capabilities are built rather than bought in the market (Makadok, 2001). They are organizational processes in the most general sense (Helfat *et al.*, 2007) or routines (Zollo and Winter, 2002) which may have become embedded in the firm over time, and are employed to reconfigure the firm’s resource base by deleting decaying resources or recombining old resources in new ways (Simon and Hitt, 2003). Helfat and Peteraf (2003) emphasise that to qualify as a dynamic capability, a capability not only needs to change the resource base, but it also needs to be embedded in the firm, and ultimately be repeatable.

The 7s model framework of McKinsey is a management model that describes 7 factors to organize a company in a holistic and effective way. Together these factors determine the way in which organizations operate. Managers should take into account all seven of these factors

to be sure of successful implementation of a strategy. Large or small they are all interdependent so if you fail to pay proper attention to one of them, this may affect all others as well. The relative importance of each factor may vary over time.

Waterman and Peters (2001) developed this model in Search of Excellence in developing a strategy. The model is most often used as a tool to assess and monitor changes in the internal situation of an organization. Whatever the type of change – restructuring, new processes, organizational merger, new systems, change of leadership, and so on – the model can be used to understand how the organizational elements are interrelated, and so ensure that the wider impact of changes made in one area is taken into consideration, as visualised in McKinsey's 7-s model elements.

2.3 Strategy Implementation

In as much as strategies could be brilliant, they do not assure effective performance. How the strategies are implemented matters in determining organizational performance. Strategy implementation is the process through which a chosen strategy is put into action. It is concerned with the design and management of systems to achieve the best integration of people, structures, processes, and resources, in reaching organizational purposes (Robins and Coulter, 2002; Thompson and Strickland, 2003; Koske, 2003). It may also be said to consist of securing resources, organizing them and directing their use within and outside the organization. In putting strategy into action, the action must translate into results, -results which are acceptable.

Aosa (1992) observed that successful strategy implementation requires managers to communicate the case for organizational change clearly and persuasively to all organizational members the commitment required to carry out the strategy and meet performance targets.

Management's handling of the strategy implementation process can be considered successful if and when the company achieves the targeted strategic and financial performance and shows good progress in realizing its long-range strategic vision. Organisation structure, culture (shared values), resource (budget) allocation, staff competencies and capabilities, support systems, reward systems ,policies and procedures and leadership style (Peter and Waterman, 1982; Hunger and Wheelen, 1994; Thompson and Strickland, 2003;).

Thompson and Strickland (2003), further observed that different business practices, competitive circumstances, work environments, cultures, policies, competitive incentives, mixes of personalities, and organizational histories all require a customized approach to strategy implementation- one based on individual company situations and circumstances, the strategy implementers' best judgement, and the implementers' ability to use particular change techniques adeptly.

In as much as managers' approaches need to be tailor-made for the situation, there are certain bases that have to be covered no matter what the organization's circumstances (Okumus, 2003). These bases are the principal tasks in strategy implementation which include: Building an organization with the competencies, capabilities and resource strengths for successful strategy execution., developing budgets to steer ample resources into those value chain activities critical to strategic success, establishing strategy supportive policies, instituting best practices and pushing for continuous improvement in how value chain activities are performed, installing information, communication, e-commerce, and operating systems that enable company personnel to better carry out strategic roles successfully day in and day out, tying rewards and incentives to the achievement of performance objectives and good strategic execution, creating a strategy-supportive work environment and corporate

culture, exerting the internal leadership needed to drive implementation forward and keep improving on how the strategy is being executed(Thompson and Strickland, 2003).

Effective implementation is facilitated through action planning, an action plan indicates what will be done, by whom, when and with what expected results. The action plan provides a link between strategy formulation and action. It is also a tool for monitoring and evaluation (Thompson and Strickland, 1998). Bryson (1995) states that due to a number of reasons, managers may have selected an inappropriate strategy. Implementing such a strategy can become a futile exercise. While the strategy selected may be sound, implementation procedures can be flawed. Here again, efforts to execute strategy are impaired.

2.4 Implementation of Procurement Strategy

Procurement strategy is a plan or process developed to ensure procurement is designed to attract the strongest possible field of tenders for services, goods and products. It is the skilful management of the supply chain to ensure that procurement activities meet the intended needs of the stakeholders. Thompson and Strickland, (2003) assert that the objective of the strategy is to ensure that quality and measurable outcomes can be achieved for services procured on behalf of the stakeholders. In implementing this procurement strategy, we can expect to realise the following benefits: Improved value for money, more efficient and effective procurement process, effective partnership with suppliers, benefit and development of the local economy, effective collaboration between service providers, better risk analysis and management, better planning, joint commissioning and savings based on economy of scale, Integration with the council's overall aims and priorities and Qualitative, Consistent and a managed approach to Procurement.

The reduction of procurement costs has always been recognized as one of the most significant strategies for implementation (Collis and Montmery, 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 Gathorna, 2005).

In meeting the strategic objective, a procurement plan will be developed which shall address the following areas: Market Analysis, Supplier Positioning, Spend Analysis, Contract Packages, Capacity Building and Procurement Route (wu et al., 2006; Kehoe and Boughton, 2001). This is possible with partnering and benchmarking with organizations with best procurement practices and other service providers and public bodies to ensure clear definition of responsibility and continuously offering support and advice to ensure effective interpretation and implementation of the strategy is done.

Procurement strategy implementation includes considerations of who will be responsible for strategy implementation; the most suitable organisational structure that should support the implementation of strategy (Pettigrew, 1998; Lynch, 2000); the need to adopt the systems used to manage the organization (Johnson and Scholes, 2002); the key tasks to be carried out and desirable changes in the resource mix of the organisation as well as the mandate of each department in the organization and the information systems to be put in place to monitor progress and resource planning (Pearce and Robinson, 1997). Implementation may also take into account the need for retraining the workforce and management of change (Johnson and Scholes, 2002).

2.5 Challenges of Implementing Procurement Strategy

A well implemented procurement strategy is an effective tool for implementation of public policy in all areas, and should be an instrument for good governance for alignment of structures and systems in the government. In this sense, good procurement contributes to the government's legitimacy and credibility. On the contrary, corrupt (bad) procurement practices increase poverty and inequality by diverting funds away from the attention of social needs; it influences bad choices, and encourages unfair competition in bribery rather than in quality service. Organizations characterized with weak systems, corrupt procurement practices are inevitable as the officers in charge take advantage of the loopholes to tamper with the tendering process for personal gains. The weak governing bodies, politics, tradition, and lack of education and training programmes are some of the barriers which need to be overcome in order to achieve Value for money and reduce waste (Palmer and Butt, 1985).

Record keeping in most organisations is a big challenge as records are not maintained as per ISO 9001:2008 standards. Lipchak (2002) argues that good governance based on transparency, accountability and trust (and similar values) has become a shared goal among organisations 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.

Piggot (2002), postulates 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 tender documents can be verified, followed and investigated and can be a basis for future decision making for proper implementation of procurement strategy.

Record keeping is very important for organizations that would need to implement procurement strategy (Atkinson,2003). A good procurement strategy should take particular note of the availability, quality, security and completeness of procurement records and files. Tender numbers, values and dates of contracts awarded, names of awardees, public notices of bidding opportunities, bidding documents and addenda, bid opening information and bid evaluation reports become a challenge if the procuring entity does not maintain records. 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)

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 procurement strategy is viewed as an element in the supply chain, the better it is realized that it is an integrated system which is a link in the chain, such that if there is failure to anticipate and prepare for any constraints, 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.

2.6 Measures to Mitigate the Challenges

Oversight and performance measurement are the main techniques that have been used by many leading researchers and practitioners on solving/ 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 in implementation of procurement strategy (Palaneeswaran and Kumaraswamy, 2000). Public sector agencies need to incorporate most of the modern management tools and technologies

to cope with the procurement function, 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 and strategies 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 will add value in the implementation stage.

Organizations are also keen to embrace performance measurement (Simpson and Pursglove, 2007). The importance of benchmarking in the achievement of better results in procurement strategy 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 of goods and services (Tudor, 2005). Another benchmark in the procuring entities is the customer-supplier satisfaction as measured by the number of complaints received (Tudor, 2005). 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.

Taking a planning approach to strategy which is typical in the procuring entities 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 strategy as implementation will pose a big challenge. It would therefore follow that, if a procuring entity 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.

while there has been considerable Public Procurement research devoted to the pursuit of socio-economic goals (such as Cogburn and Rahm, 2005; Bolton, 2006; 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.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was used to carry out the study. The chapter considered in detail the methods that were used to collect the required data. It presents the research design, the procedure for data collection and the techniques that were used for data analysis.

3.2 Research Design

This study employed a case study design. This enabled a description on the procurement strategy practices as perceived by the employees in the procurement department at KPLC. This study therefore, had one study subject which is KPLC; hence needed to adopt case study approach to conduct the study.

A research design was typically included how data was collected, what instruments were employed, how the instruments were used and the intended means for analyzing data collected. The interview in this case study was a purposeful discussion between a researcher and the interviewee that can help gather valid and reliable data that is relevant to the research objectives (Kahn and Cannel, 1957, Ongena and Dijkstra, 2007). The Face to face interaction is preferably convenient and reliable as the primary data gathered is pure as it is done at source for the study.

3.3 Data Collection

The researcher sought permission from the head of human resources and administration in the organization. The researcher collected qualitative data that was primary in nature through administered interviews. The interview schedule was administered to the respondents after getting their consent for participation in the study.

The study involved seven managers and ten key functional heads from various departments in the company spread over KPLC's Regions in Kenya. This category of staff was expected to have in-depth knowledge about the procurement practices at KPLC and would therefore provide the study with the information it required. These staffs were selected on the assumption that they were in a better position to understand the challenges that the organization is experiencing in implementing procurement strategy. Interview schedule was preferred because it enabled the researcher to interrogate the respondents for in depth information (Mugenda, 2003)

3.4 Data Analysis

The study preferred content analysis because by the extraction of the themes and subthemes emerging from the views of the respondents' open ended responses, it was possible to identify the actual underpinning solution to the problem under study based on the theme's frequency (Gupta, 2006). Similar themes were grouped together from which subthemes were obtained which were also categorized together.

The analysis involved comparisons of data obtained from various departments to enable a more detailed investigation to determine whether the procurement strategy implementation

practices and challenges were similar or otherwise across departments. Data from all levels of management was compared against one another to enable the study establish congruency or otherwise of the challenges with the respective level of management. This analysis did not restrict respondents from freedom of expression as there was room for generating as much information as possible.

CHAPTER FOUR: ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

The study was purposely to achieve two objectives. The first one was to establish the challenges affecting the implementation of procurement strategy at the Kenya Power and lighting Company limited, and the second one was to determine measures to address the challenges of implementation of procurement strategy at Kenya Power and Lighting Company limited. This chapter therefore presents the findings of the study in line with these objectives and discussions of the same.

4.2 Implementation of Procurement Strategy at Kenya Power and Lighting

The study tried to establish how Kenya power implements its procurement strategy to meet the stakeholders' expectation. In order to achieve this objective, the research studied the practices adopted by KPLC's procurement function in acquisition of goods, works and services to achieve its strategic direction plan. The findings of the study indicate that in order to realize its main themes of adopting the best procurement practices and offer the best service to its customers, the procurement function implements its strategies by developing a procurement plan, structures and control systems; setting monthly and yearly performance targets and direct supervision of the implementation process by involving user departments in specification of the right materials and services.

The department has spelt out its strategic procurement plan obtained from the user departments and action plans for each level of staff to pursue. The plan provides broad guidelines from which each staff in the department draws autonomous plan and action plans which, upon implementation leads to the attainment of overall company objectives and goals. Procurement strategy implementation at KPLC is in two fold; annual procurement plan for overseas items; and annual procurement plan for local items/services. In order to achieve this, the function's top management, in liaison with the service providers has in place 90 (ninety days) procurement lead time for overseas items and 21 (twenty one days) for local items. The lead times are achieved through expedition and follow up of orders for prompt delivery.

The study established that the organisation's procurement function is the custodian of the plan. For efficient and robust business in the organisation every Division is involved in the strategic plan of the required goods, works and services to meet the desired objectives of the Procurement function.

The study further established that the Function manages its key contracts with strict guidelines that govern time frame delivery schedules for these contracts. It was further established that the contracts are well documented with instructions to bidders, general and special conditions of the contract, technical and performance specification are well spelled out, price schedule and financial proposal are clearly shown in the contract form. Bid validity/security, performance and/or bank guarantee and authorized signatory are also clearly documented. The researcher, in the process further established that the function has clear documented stages of managing contracts i.e. pre-contract award management, contract award and post management award stage. The three stages have helped the function to institute monitoring of the contract, applying effective control systems, managing contract

change, maintaining an audit trail, financial management and completion of scheduled reports.

The researcher established that risks are identified, risk management process is clearly documented and a risk register is in place to mitigate on strategies for control and monitor supplier performance for effective implementation of procurement strategy. It was further established that the identified areas of risk include suppliers and supplier sources, failure of control systems, procurement staff, regulatory changes and foreign exchange transactions, of which if proper controls are not in place, may negatively work against implementing the procurement strategy in the function.

4.3 Challenges to Procurement Strategy Implementation at KPLC

4.3.1 Introduction

The study observed that the manner in which the Procurement function is organised has been dictated by the nature of the goods and services it procures. These two perspectives influence the function to enormous challenges as it strives to translate procurement strategy into action for achievement of corporate objectives. It was the objective of this study to establish what these challenges are and determine their nature and source.

This section presents the challenges faced during procurement strategy implementation at KPLC. The study established that different levels of management and different departments face different challenges. However some challenges cut across the levels and departments, hence are common across all divisions in the company. The levels form the basis under which the challenges get manifested and have been used to develop the sub themes under which the

challenges would be analyzed and discussed. The challenges are either internal or external both to the departments and divisions in the organizations.

4.3.1 Challenges at Divisional Level Management

The study established that the organization is comprised of various divisions and the divisions are involved in a procurement process at a time. With respect to the core business of KPLC, (Transmission and Distribution of Electricity), it is at this level that ensures that divisions work in harmony towards achieving the overall company goals and objectives.

The study viewed this level as one that provides guidance on the divisions' annual procurement plan, which the divisions have to craft for implementation at the procurement's functional level.

In as much as the procurement function would like to implement its strategy, it was established that user divisions delay in preparing annual procurement plan for implementation. The divisions take long as there is lack of team work and close co-ordination on budgeting for the annual procurement plan. This generates heat and disharmony among user departments in failure of presenting their needs in time to procurement department to initiate a procurement process. Successful procurement strategy implementation is achieved when there is a high degree of collaboration and consultation among different individuals and groups in the divisions involved in the process. This is not so, as more often than not most managers tend not to understand the basic specifications of their products/services at the time of placing their requests for purchase. They end up authorizing for wrong specifications of

their requirements and hence compromise on quality at the time of delivery of the products/services.

Developments in the environment require that a company change its procurement strategy so as to exploit any eminent opportunities and also counter the resultant threats of substandard products in the market. Management need to support this initiate by sending relevant Engineers and other relevant staff to pay factory visits to ascertain the product design and compliance for the company use. The study in this sense, established that the Engineers and other relevant staff are rarely sent for the factory visits. This has compromised on quality of the products that we receive hence, impaired team spirit among the team members across the divisions in implementation of the procurement strategy. All these moves require management to throw its weight fully behind their realization. It was established that such management support is hardly granted. For instance there is lack of appreciation that some training programs are necessary yet these will go a long way in developing organizational capabilities in implementing procurement strategy. They are instead perceived as costly and time wasting “activities” rather than value adding moves. The foreign trips are solely resisted on the chief managers and a few line managers, who on return from these trips do not share the information for improvement.

In ensuring that financial strategies are effectively implemented as per described budget, the study sought to establish whether such efforts face any challenges in administering the procurement plan as scheduled. The research identified a number of challenges that impede such efforts. Indiscipline among some budget holders makes internal cost monitoring and control rather difficult and in the budget deficits are experienced that hamper purchase of the essential items which could have been procured if costs were properly monitored and

controlled. The study also found out that the economic factors such as inflation, exchange rates, interest rates and economic performance in general impact on implementation of procurement strategy as materials, works and services are procured expensively thus straining budget allocations across the divisions. All these factors will act as sources of challenges when they are unstable and the economy poorly performing. Government decisions on taxation and port clearances and technological changes coupled with the above factors come along with some financial risks that stand on the way of successful implementation of procurement strategy.

The study pointed out that procurement strategy implementation generally takes longer time than originally planned due to a number of reasons most of which are unique to particular divisions. For instance, suppliers of outsourced services like construction of lines, repair and maintenance of company vehicles, take longer time in offering services, which in the long run delay implementation of procurement strategy as anticipated.

Challenges that surface during implementation include among others internal customers' and contractors' use of overseas procured substandard materials that do not sustain the company's power lines for reasonable length of time. Another hindrance identified is the opening of the letter of credit by the finance department during ordering of the materials. This is done with a lot of delay and as result slow down the implementation of planned activities.

The study further established that most staffs across the divisions have a low level of understanding of new concepts and ideas and hence their response to changes was also noted at this level as a challenge to procurement strategy implementation. This was attributed to the level of education of some personnel which is prohibitive to comprehension of abstract ideas

more or so in the nature of materials and their specifications. This results to non adherence to new technology introduced in the market because of the personnel's lack of necessary and adequate skills to implement the new procurement strategies.

It was established that the company offers training to its personnel. This is expected to curb the problem of lack of adequate, relevant, and necessary skills. Training is offered both in-house and outside for some staff to attend to seminars to equip them with necessary skills. The new public Procurement and Disposal act and the regulations governing the act require staff to be equipped with technical knowledge in order to enable the staff to acquire new skills in handling the procurement process. However it was established that the training offered is inadequate in terms of duration and to some, extent. To those with low retention rate, it proves futile for them to grasp the technical concepts, hence an impediment to effective implementation of procurement strategy.

The study established that the company has laid down procurement norms and procedures to be followed by the divisions for procurement strategy implementation but these processes are archaic, rigid and unnecessarily expensive in terms of time for value of money. The procurement process adopted by the organization is long and laborious and characterized with bureaucracy in the approvals for purchase of materials, works and services. This result in delay of supply of materials hence affecting operations of the company.

4.3.2 Challenges at Functional Level

This is the level where plans are translated into actions and then results in as far as procurement strategy is concerned. The study dug dip in this area as this is where the “rubber

meets the road” for detailed information unlike the divisional level which do not have a lot of ground issues.

The study thus established that the procurement function is riddled with quite a number of challenges that the staffs are experiencing in their line of duty. It was evident that not all needs are identified at the start of the project in the financial year to initiate procurement process. The undesired effects for this scenario is the emergency purchases as the important or critical items for day to day operations are not ordered hence cause project delays as there is inadequate budget to complete the projects to address the organizational objectives. Quite a number of projects among them turnkey and Labour & Transport projects were pending completion because of lack of essential materials for completion and commissioning for hand over. In addition the study revealed that costs of the projects were estimated incorrectly as the total cost of ownership was not calculated to reveal provision for freight, insurance and inspection hence cannot buy all that is needed. This leads to project failure as the service is not delivered on time. Implementation of the procurement process in this aspect is hampered in the long run.

It was further established that the procurement function has a tendency of placing small orders especially at Regional levels because of the financial thresholds. The Regional tender committees approve purchases of lower value only. Any purchase that is above the Regions’ threshold is adjudicated by Tender Committee that sits in Central office. This is construed as laborious and time wasting as it involves a lot of bureaucracy in the process. Non consolidation of similar items across the project also appear expensive as many low volume of orders attract a lot of money with low discounts hence do not interest the best suppliers to

respond. This has been a milestone for the procurement function in implementation of the procurement strategy at KPLC.

KPLC being a technical company, it's evident that it is dominated by the Engineers who, in more often than not do not understand the market of the products or materials they procure through the procurement department for construction of their power lines. The Engineers do not seem to have full knowledge of the market and the new technological innovations that have come up for product reengineering for substitute is poor. The undesired effect in this case is lack of best market solution that leads to low innovation in the company.

Most staffs in KPLC are inexperienced in managing the procurement plan for implementation. Staffs drawn from various departments as end users have not had any training on how to manage the procurement plan and in most cases do not understand the criticality of planning. The end users have suffered material deficit emanating from poor planning and inappropriate procurement method in obtaining the required goods, works and services for their projects. Value for money is not gained over ally as many mistakes are committed in provision of material specifications, supplier selection, bid invitation and evaluation and subsequent contract management. The research established that there is also incomplete/late information from end users on the materials to be procured, delivery time/place and volume of the activities in many cases, is not stated. This anomalous scenario has contributed in non completion of projects in time as planned as wrong and poor quality of items is received of incorrect quantity.

The study established that there is long delay in approving budget for the implementation of the procurement plan. The approval process is long and laborious as there is a characteristic

of undesired bureaucracy. Budget guidelines are done from the headquarters based in Stima Plaza, Nairobi and forwarded much later to the company's Regions for users to prepare budgets based on their procurement needs for the financial year and forward the same to the Regions' Finance Department for compilation and onward transmission to the Head quarter's Finance Division for scrutiny and adjustment. The Finance Division in the Headquarter take a little bit long in the budget adjustment before it is forwarded to the Ministry of Energy who equally take long time in scrutinizing and reducing some cost allocations before it is approved. The research in this sense, established that the reduction of the budget and delay in approval of the same has immensely contributed to delays in project completion as the implementation of the procurement strategy is not done as anticipated.

The study established that KPLC's Procurement Function is challenged on specifications of the materials that they procure for their projects. It was observed that specifications are too long and complicated for proper interpretation and implementation of procurement strategy. They are also at some stage narrow and inadequate for detailed information for bidders. The likely effects are the bidders not responding to the bid, suppliers offering wrong goods or services, the buyer/user end up paying more than expected thus going over the budget. The tender may also be cancelled and re-done that may lead to undesired project delays. The investigation also revealed that the material specification contain lots of errors as there is contradictory information. All these lead to suppliers not quoting properly and end up supplying wrong goods or services. It was also noted that most specifications are biased towards specific brands that exclude capable suppliers from bidding while the others who are invited to bid fear corruption and may not bid or make complain. The Procurement Function has a challenge in drawing specification format and the layouts appear confusing and

differing national standards. This leads to suppliers submitting technically incomparable bids, long evaluation periods and culturally incomparable goods or services.

In tendering process, the study went deep and established that most staffs in the Procurement Function are inexperienced in writing the tender document. The tender documents are too long, confusing and complicated for users to understand. The document has unclear instructions to the suppliers or bidders which may lead to misinterpretation of some clauses. There is also insufficient detail or omissions in any aspect of the tender document. The research further analysed the tender document and established that inadequate timeframe is given for bidders to respond, unfair requests are made for example quotation validity, risk acceptance and delivery schedules appear undefined. On the same document, the study realized that there is no standard bid submission format created, inadequate number of bid documents produced for issue and unfair use of charges for the bid documents are evident. Further findings among others, included lack of programme for site visits for pre bidding, clarifications are not answered properly and there is no formalised bid receipt process to secure storage and opening hence bids are not opened in front of appropriate tender opening committee. The study related the above bottle necks for implementation of procurement strategy in KPLC to bidders not responding effectively to the tender document, submission of bids at incorrect time and place, tender process being prolonged or even cancelled and restarted, unfair or subjective bid comparison at evaluation stage, suppliers deferred from responding to bid document and a possibility of evaluators in not effectively comparing bids. Other related subthemes in the tendering process include taking disproportionately long time to evaluate the responses, not all bidders can get hold of the tender documents, and some bids go missing which may lead to accusations of malpractice in the whole process.

The research further revealed that the Procurement Function's tender evaluation process is rather illogical. The main findings, among others include evaluations not being planned for and given appropriate priority hence take too long and sometimes go beyond validity period, resulting into a re-bidding. The Function has inexperienced and inappropriate constituted evaluation team whose interests are not properly declared. There is also at some stage managerial interference to favour certain supplier and hence fair procedures are not followed. The study revealed that vague, subjective and inappropriate evaluation criteria and criteria for weighting at some other stage are taken advantage of and manipulated and some suppliers are excluded for insubstantial reasons making the whole process unfair. This situation makes other most appropriate bidders not to win, inappropriate goods/services are purchased, and unreliable suppliers are awarded contracts which attract complaints from non winning bidders. In some instances, evaluation reports are not produced and made public as appropriate to satisfy the public curiosity. All these challenges hinder appropriate bidders from winning, inappropriate goods/services are purchased, unreliable suppliers are awarded contracts and complaints from non winning bidders rise up. There is also inadequate independent monitoring and transparent evaluation, which may strain future business reputation with some suppliers.

KPLC's Procurement Function has a negotiation team who normally conduct negotiation process for the company. The study established that the negotiation team is inexperienced in conducting the negotiation process. The team lacks necessary skills to conduct a meaningful negotiation in the procurement process. The research established that the negotiators get poorly prepared as they converge into a negotiation table without the necessary knowledge, skills and strategy before talks on acceptable price for the buyer. The negotiators' limited knowledge on what can be compromised and what cannot would not help for best outcome

for the project to be reached. KPLC'S Procurement Function at some stage will want to make significant changes to the goods/works or services. Contractors are also unwilling to commit themselves to fixed prices for long projects as final price of the contract is unknown and the buyer has no control of over the price increase. The issues above have one way or another worked against the implementation of procurement strategy at KPLC.

The Study established that contract management in Procurement Function is key in strategy implementation at KPLC. Regardless of its importance, the Procurement Function is riddled with quite a number of issues that work against contract management. Among the issues the research established include poor contracts that do not state key delivery schedules and it was also realized that both parties do not clearly understand their obligations in the contract. It was observed that the suppliers/contractors or the buyer does not perform to the contract responsibilities. The Function has key performance indicators to be adhered to but this is not followed to the letter and others were found not measurable and some contracts do not contain incentives to deliver on time for example liquidated damages. It was found out that progress cannot be monitored accurately and the supplier can delay delivery with no penalty.

The Procurement function is comprised of line managers and senior officers spread all over the four Regions, but some of these managers and senior officers were found to be inexperienced in handling suppliers who also found to be inexperienced on contract management on some critical items like Transformers, Meters and electric poles. This inexperience amongst these stakeholders is viewed as inadequacy in management and performance of the contract; the ordered materials are either received late or early and may be of wrong quality. Records may not be kept of actual performance and supplier training is

inadequate for the staff to learn necessary technology or maintenance skills. All the above issues were viewed as hindering the implementation of procurement strategy in KPLC.

The study further established that Procurement Function is challenged in Managing Suppliers' payment terms. It was observed that the Function accepts financial guarantees from disreputable or unknown sources which may appear detrimental to service delivery. The finance department does not retain funds during the warrantee period. This is risky as the organization's funds are exposed hence there is a possibility of loss of money in case of default or non delivery of materials or services. Foreign exchange fluctuation was also seen as an hindrance in effecting suppliers' payment in time. There is no plan to have forex to pay suppliers at the right time, weak financial terms and conditions in the contract have also opened leeway to advance payments for works that have not started or goods delivered.

Other challenges noticed include delay of suppliers' payment of which the reputation of good business partner is lost though there is some mark able instances where Procurement Department has liaised closed with Finance Department and effected suppliers' payment in time. The study realized that systems in both Procurement and Finance are a bit weak as it was found out that there is a likelihood of double invoicing by the supplier, human errors in calculation, weak financial monitoring and control. All these weaknesses are either associated with overpayment or incorrect payment or early payment to the suppliers for goods or services that have not been delivered. The research viewed the above weaknesses as one of the major hindrances for implementation of Procurement strategy at KPLC.

KPLC's Procurement Function in liaison with Stores and Stock Control have had in place a disposal policy to assist the organization dispose the materials that it does not need. The study

established that this policy is not fully implemented and followed to the letter. It revealed that there are no clear procedures on disposal policy and the staff in the department lack training in disposal procedures. Some assets are disposed of before the end of their useful life and others are still used when economically unviable thus wasting money in maintaining obsolete and unreliable assets or items. The research also revealed that the disposal committee is inadequately equipped with disposal knowledge and skills hence it becomes difficult for them to identify obsolete or obsolescent materials/equipment at their disposal. The disposal team have also poor disposal methodologies which lead to waste of space and unnecessary expenses in the ware house. The Procurement Function faces a challenge of material replenishment as critical storage space is occupied by materials that cannot be used thus it affects the implementation of procurement strategy at KPLC.

Most of the materials that KPLC procures for its operations are overseas sourced. Due to instability in forex exchange rate, critical materials such as Transformers, meters and other accessories fluctuate in prices and this adversely affect the delivery of the same as it becomes difficult to re budget for the difference . The research in this case established that value for money is not obtained as there is a mark able delay in delivery of materials which leads to either failure of the project or contractor sub-contracting the work which in the long run lowers the standards of the project due to loss of control in quality. Procurement Function cannot meet its objective of service delivery to the customers as their strategy in availing materials at right time and place has been affected by above circumstances.

The study established that the management of supplier buyer relationship in the procurement department is not cordial. It was observed that the Procurement Department does not facilitate for payment to suppliers in earnest. The suppliers feel that there is unnecessary

delay in payment for the goods, works and services that have been delivered. They view the Procurement Function as corrupt and would put up prices on their products for the “kick back” hence value for money is not realized as suppliers’ mark up is high. The research established there is minimal monitoring feedback on supplier performance because key staff that are involved the exercise get compromised and leave the supplier to perform at his own base. It becomes difficult for the Procurement Unit to embrace change when it is faced by the above challenges.

The research further established that some number of staff do not have necessary skills in handling the procurement strategic issues. Junior staffs appear inexperienced, incompetent, unknowledgeable, untrained and inappropriately allocated duties which they cannot perform to management’s expectation. They lack necessary professionalism to undertake work and in many instances they do not understand the strategic importance of their role as practitioners. This cadre of staff are also left out during the procurement planning process which becomes hard during the implementation stage. It was observed further that there is little teamwork and coordination with other user departments due to inadequate communication that leads to misunderstanding and delay in delivery of materials. It was further noted that this cadre of staff may not be able to gain best value for money and utilise best procurement practices and tactics. They also may not be able to give strategic advice on the procurement for certain projects as they do not have the capability to do so. These bottlenecks in the Procurement Function were found to be hindering the implementation of procurement strategy at KPLC.

The Procurement Function is found to be having a big number of staff spread over the four regions. It was established that some of these staff have not had access to appropriate Procurement training. The training is concentrated at a level of some few senior management

staff, who attend more than once for the same course. Due to inadequate training the staffs does not develop and grow in performance skills. Their underperformance has lead to some project failure hence little value of money is obtained in long run. The research further established that most of the staff do not perform optimally as they do not have access to modern procurement management systems, some resources like transport, computers and internet as some of them were found to be on paper based that leads to poor records and inability to analyse data accurately. These were found to be obstacles for successful implementation of procurement strategy at KPLC.

The Procurement Function was found to be operating with minimal formal rules, regulations and procedures. Some staff were found not to have access to rules and are not trained in rule implementation. The undesired effect realized is that the staffs do not understand the rules, and use them and without these rules they could be unfairly dismissed. Some rules were found to be too rigid and inappropriate to delay or complicate implementation of Procurement Strategy. There was little compliance monitoring of the procurement processes and there is little or no penalty for abuse of rules. Some cadre of staff do not understand the rules or the benefit of having them hence they may not contribute optimally to strategic implementation of procurement process.

Contracting with foreign suppliers was discovered as challenging as exchange rates between foreign currencies do fluctuate in the process of contract management with the foreign suppliers. It was realized that more local currency is paid to foreign contractors than budgeted due to fluctuation of foreign currency and instability of the Kenyan shilling. Inadequate foreign exchange to pay suppliers has lead to foreign suppliers charge interest on late payments or stop deliveries. The geographical distances of the supplier from the procuring

entities has contributed to a number of procurement irregularities and among them are supplier capacity and quality cannot be determined or it is expensive to do so. If goods are faulty it can be difficult to force suppliers to amend, or honour maintenance warranty agreements. It was also found out that it is expensive and time consuming to return faulty items and suppliers may have less interest in ensuring a high quality job. Poor understanding of incoterms, customs clearance and the passage of 'Risk and Title' of goods being shipped between countries has led to lack of appropriate insurance, increased costs, some goods being stranded, seriously delayed or even lost. The research established that this was a big challenge for the Procurement Function to take into account and look for amicable and lasting solution for implementation of the procurement strategy in KPLC.

The study further established that there is a challenge in different industry norm and national quality standards and the technology used for the materials. The procurement function finds materials incompatible technically or culturally. Supplier country particularly from the far east find it politically volatile or hostile and supply chain and trade becomes untenable mid contract hence supplier is unable to perform. Different legal systems have negated on the arbitration or litigation in overseas may be very expensive if invoked. The research also established that the procurement function finds it challenging in operating with the supplier at different time zones. This can make communication with the head office more difficult. All these factors in one way or another were found an hindrance towards implementation of Procurement strategy at KPLC.

The study established that there is inventory management challenges in the implementation of Procurement Strategy in the function. It was observed that there is delay in the supplier's delivery of materials at some stage of the logistics chain and some quality defects and

damage or loss in transit and Sudden increases in prices or logistic costs. This now leads to production stoppages that delay in project implementation and interruptions in key company operations. This has impacted negatively to implementation of procurement strategy in the Function.

4.4 Measures to Address the Challenges

The study established that the Procurement Function has developed a mechanism of need identification in earnest so as not to interrupt operation of the projects that have already been approved for construction. It ensures that proper budget allocation is prioritised to meet future strategic needs of the projects. The scope and purpose of the project is well spelled out so as to allocate a realistic budget and programme for alignment of the procurement strategy. Procurement Function has similarly laid focus on the desired materials and decides on how to achieve it for least cost, shorter lead time and with little effort. The department gives proper description of package size of materials to get best value from the existing market. This may involve splitting large contracts or ‘bundling’ smaller ones to get the optimum size. A project champion is appointed who is supported by trained managers and administrators with duties clearly defined. It was further established that good teamwork spirit is inculcated among the prayers for achievement of common goals. In addition the Function has stepped up the management of contracts and drawn a strategy in managing client, consultant and supplier resources. The Function has also come up with payment strategy to address long outstanding payments to suppliers. This will motivate the suppliers by empowering them financially for service delivery.

Procurement planning is of great essence the department need to lay emphasize on particularly on those divisions/departments that are involved in procuring materials, services and works for their operations. The researcher established that the Function identifies procurement needs in time with supporting budgets to enable draw a realistic annual procurement plan to address the specific needs in the organization. Procurement Department efficiently monitor the plans as scheduled for implementation. Any need presented to procurement without supporting budget is not honoured as it was not planned and budgeted for.

It was also observed that item specification always clear and completes to be fit the required standards. Users have ability to state what is required by writing performance specification, not a detailed product description, and limit details of how procurement function is to be provided (even for a service) to things that actually matter.

In order to obtain value for money the department has conducted the procurement process through national or international advertisement. This will encourage competition and obtain best quality materials from reliable source. The high value items require thorough assessment against the objective criteria so as to strategically obtain the five rights i.e the right material, from the right source, at the right price, right quality, at the right time and delivered to the right place. The restricted list must be maintained which will be consoled from time to time so as not to deviate from the norm.

The researcher further established that the Procurement Function use approved regularly updated suppliers list to avoid incompetent and unreliable entrants into the supply market. The list is reviewed periodically for inclusion of more competent suppliers for the new

requirements. Framework (call off) contracts are also used for medium value purchases. The department has embraced this method for particularly contracts that are drawn for a period of 3 to 5 years so as it can be managed closely for adherence of delivery schedules. Framework (call off) contracts are applied in low value contracts. Suppliers are strategically selected for low value items as selected in high value items, where a suppliers' list is updated.

At the enquiry stage the Procurement Function issues invitation to tender to the identified tenderers for performance. They are given enough time to allow them to understand risks and prepare best value tender. Great care is taken to ensure all tenderers have same details and opportunities to tender. Procurement Function at the same time ensures that the tenderers are fully briefed by providing opportunity (if relevant) to visit site for detailed briefing (if needed), as it is usually important for all bidders to visit the site or be briefed of the same. Issues that are raised by the tenderers are answered promptly in writing with copies to all tenderers. This will foster transparency and accountability in the tendering process and KPLC as an organization will realize value for money in long run.

Tender opening is properly arranged in such a way that the opening committee to receive only sealed bids by notified date and time to be opened. The late bids remain unopened and returned to the owners with a covering letter indicating reason for rejection. Tenders are also opened in the public by informal tender opening panel that opens in the presence of the invited bidders to witness the ceremony. After the opening, the prices are announced to the public and recorded in the security indexed tender register for transparency.

Another measure that the department has undertaken in addressing the challenges above is to carry out an independent evaluation/assessment process to analyze tenders to decide which

one provides best value for money. Evaluation criteria are clearly shown on the invitation to tender document so as bidders would be guided accordingly at the time of bidding.

During the evaluation process care is taken to ensure that proper segregation of duties with named, accountable technical and procurement officers co-operating but independently assessing and recommending actions. Contact with bidders is professional carried out before the evaluation process for clarification of minor issues. This is done if they were recorded in writing (preferably use of questionnaire) with technical and procurement representatives present. Final evaluation is done to recommend action to be taken and is signed by technical and procurement representatives and must be present at any meetings. For high value or sensitive contracts an independent assessor is appointed and has to include the report in the final evaluation.

Tender award is formally done to instruct the supplier to proceed with delivery schedules. Approval is given based on recommendation supported by independent assessor and subject to financial commitment rules. The order or contract is signed or issued by Procurement Department stipulating delivery schedules to be adhered to. Transparency is adopted at all stages in the procurement process and documented evidence is made available of the reason for all decisions. There is excellent office housekeeping and disciplined office plan offices and only staff and bona-fide visitors or contractors are allowed on the premises.

In addition Procurement Function has militated against the challenges that are working against the implementation of the procurement strategy. It requires a cross check of the materials that it procures by placing realistic re-order levels so as to meet the desired objectives. Re-order level is a point at which a new order for supply of materials is to be placed. In other words, at this level a purchase requisition is made out. This level is fixed

somewhere between maximum and minimum levels. Order points are based on usage during time necessary to requisition order, and receive materials, plus an allowance for protection against stock out. The order point is reached when inventory on hand and quantities due in are equal to the lead time usage quantity plus the safety stock quantity. This is a measure the department has taken into account to avert stock outs so as to implement successful procurement strategy at KPLC.

Another measure the department has taken into consideration to address challenge of material shortage is the reinforcement of economic order quantity. Economic order quantity is that size of the order which gives maximum economy in purchasing any material and ultimately contributes towards maintaining the materials at the optimum level and at the minimum cost. In other words, the economic order quantity is the amount of inventory to be ordered at one time for purposes of minimizing annual inventory cost. The quantity to order at a given time must be determined by balancing two factors: The cost of possessing or carrying materials and; the cost of acquiring or ordering materials. Purchasing larger quantities may decrease the unit cost of acquisition, but this saving may not be more than offset by the cost of carrying materials in stock for a longer period of time.

4.5 Discussion

The finding of this study are well aligned with previous studies Nollet and Beaulien, (2005), Piggot, (2002), (Aosa, 199; Koske, 2003). It should be noted that most of the challenges affecting KPLC are Functional specific. However, some cut across the divisions like shortage of materials, material specifications, inadequate implementation of procurement plan, uncontrollable factors in the environment and major obstacles surfacing during implementation. Procurement as a function is faced with challenges for implementation of

strategy and some of the challenges include rapid developments in Technology (which have led to new procurement methods). Public procurement cannot be perceived as 'mere clerical routine', as procurement practitioners are and should be involved in strategic planning (Hinson and McCue, 2004). The findings of the study are also linked with other previous studies (Triantatillou, 2007; Chamberland, 2005; Public Procurement & Disposal Act, 2005; Thomson & Strickland, 2003). The authors expressed how the Procuring entity should embrace the best practices in the implantation of procurement strategy. Implementation of a strategy requires effective operationalization and institutionalization of that strategy. Operationalization requires ample resources and appropriate role definitions while institutionalization requires aligning strategy with all firm-level institutions. The Resource Based View and Dynamic Capabilities Theory provide that an organization should possess important resources and over time develop them to ensure effective implementation of strategy. Institutionalization of strategy is largely informed by North's (1991) institutional theory as well as McKinsey 7s frame work (Peters and Letterman, 1982)

In Kenya, studies have been carried out on the challenges in the implementation of procurement strategy (Obiero, 2008 and Kiburi, 2008). Obiero, (2008), study shows that government policy, poor implementation of the procurement strategy in the Ministry of education. Kiburi, (2008) study indicates that there is need to compete with the competitors with the changing environment mostly in technology that is competitive. Thus market is the major factor that has influenced firms to adopt e-procurement to turn around their business. According to Kenya Gazette Supplement Atc, 2005, the research that was conducted on the procurement Act and the irregularities affecting the public sector, none has focused on challenges on the implementation of 2005 Procurement Act in the public sector. However, no study has focussed on challenges that Kenya Power & Lighting Company faces in the

implementation of procurement strategy. It is against this backdrop of this knowledge gap that this study was carried out: What are the challenges of implementing procurement Strategy at the Kenya Power and Lighting Company Limited? Based on this research question, the researcher endeavoured to carry out a research at KPLC in Procurement Function and identified relevant issues that support the empirical studies and related Literature review.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

Procurement strategy implementation is all about choosing the best strategy and put it into effect and manage change required for successful implementation. The process of implementation is not easy if the indentified issues are not addressed as promptly as required. The objectives of this study were to determine the practices that KPLC adopts in implementation of the procurement strategy and establish the challenges it faces. The practices adopted by KPLC's procurement department and the corresponding user departments and factors that hinder effective procurement strategy implementation were studied. In this chapter, the findings of the research are summarized and conclusions drawn. The chapter also includes recommendations for policy and practice as well as suggestions for further research.

5.2 Summary of Findings

The first objective of the study was to establish the challenges affecting implementation of procurement strategy at the Kenya power and Lighting Company Limited. The study revealed that KPLC is challenged in effecting the procurement plan as anticipated. This is due to inadequate budgetary allocations from the ministry, non consolidation of similar items across the project in the organization, logistical milestones in procuring overseas materials due to distance and country of supply's incoterms. Material specification is a major challenge for the organisation as user departments present their needs to procurement departments with

incomplete material description which give suppliers hard time at the time of quoting. Others include implementation taking too long than anticipated, uncontrollable factors in the environment; materials shortages, poor record keeping, material pilferage, inadequate resources; and inadequate training of staff. All these tend to create internal inertia, losing momentum towards successful implementation of procurement strategy.

The second objective was to determine measures to address the challenges of implementation of procurement strategy at the Kenya Power and Lighting Limited. In nutshell, the study focussed on the measures that can bring change in the implementation of procurement strategy and these include the Function fully implementing procurement plan, provision of adequate funds, material specification to be short and brief for suppliers to understand the requirement. The Department has taken initiative by ensuring that there are no material shortages. This measure is implemented through close liaison between users and the Procurement Department in addressing needs in time so as to avail the materials in the cycle at reasonable lead time. The Procurement Function was noticed to have taken keen interest in Contract management by drawing Framework Contracts within specific periods with conditions attached to serve as penalty in case of failure to deliver as per the contract agreement. Further, on the same note, the Function is restricting its purchases through the re-order levels by monitoring the day to day consumption of materials adopting suitable procurement technique to procure the materials.

5.3 Conclusion

The overall result show that the challenges encountered by KPLC in its procurement strategy implementation are not deep rooted but they can be addressed amicably if the staff in procurement department work as a team with users from other divisions particularly on

preparation of procurement plans, material specification, chose of evaluation criteria, and reliable source of supply. However, the procurement department has a role to play in ensuring that the challenges that are raised above key among them being material specification, non adherence to Procurement Plan and Contract Management, are addressed fully for the implementation of procurement strategy. It can be concluded that the challenges facing KPLC can be overcome by injecting new skilled and competent staff, transparency in day to day operations, accountability, and fostering team spirits.

5.4 Recommendations for Policy and Practice

For KPLC to implement its documented procurement strategies effectively, it is important for the company to look back and refer its failures and hindrances on their way to implementation of best practices of procurement strategy. The organization need to take appropriate measures in addressing the challenges it faces.

It is important for the top management of the company to look at the challenges discussed above and adopt them as its area of weakness and formulate strategies for policy development so as to help it for business growth and customer satisfaction. Best practices will not be embraced by any organisation before undergoing through environmental turbulence to agitate for rethinking and recasting on the best way to go. KPLC, should look at it strengths, weaknesses, opportunities and threats and strategically align its resources and system structures to implement the procurement strategy as a measure of success.

KPLC's management team, particularly those in procurement department need to relook into their procurement cycle from need identification to receipt of materials/service and

subsequent payment and identify risks that work against best practices and build internal competencies for implementation of procurement strategy. Item specification is key in the procurement cycle. Management need to look into materials that they procure and standardise the format for description for conformity. The description should be able to meet the desired need of the user as any deviation from the norm would lead into receiving a wrong item.

The company should train procurement staff to improve on their skills particularly on tender evaluation, chose of evaluation criteria, tender award and management of the contracts. In addition the company should inculcate team building spirit among the staff and encourage them to enhance communication for information sharing on technological changes in products in the market. This will assist Procurement Function monitor the procurement plan and obtain best value for money.

5.5 Limitations of the Study

The study had limitations of its kind which the researcher found challenging in carrying out the research in the Procurement Department. It was difficult to convene the line managers into meeting sessions as most of them had busy schedules to allow the researcher spend more time with them. Some could even schedule the researcher for later meeting which appeared difficult to convene. Some staff in lower management could not cooperate fully to provide vital information for the study as they also appeared to be busy with their day to day duties. The inadequacy of information from the intended source became a major challenge to the study.

The researcher had inadequate time for data collection. The days for permission to be away were not enough to carry out a comprehensive research hence limiting the researcher to specific questions. The point of data collection was logistically a distance for the researcher to conduct interviews conveniently.

The researcher did not have enough funds to facilitate the exercise for longer time. Funds were self sponsored and hotel accommodation logistically appeared expensive to warrant the researcher for more days away from a distant workplace

5.6 Suggestions for Further Research

In actual fact there is no research that is exhaustive to an end. The implication here is the research is infinite for other future scholars to carry on with further findings for improvement. Similarly, what this research has achieved in this field can only be considered inadequate to provoke for further research work. The data gathered from this investigation, propels the researcher to offer the following suggestions, which should serve as a direction to future researchers:

There is need to undertake further research in procurement strategy implementation in multifunctional companies in Kenya. A cross – section study should be considered to compare between many multifunctional companies; A replica of the study in point should be carried out after some time to establish if there are any changes that have taken place and compare with the current data for further action; There is also need to study the practices adopted by the Procurement Function in KPLC to evaluate progress towards procurement strategy implementation in multifunctional companies and whether they can give earlier alert for preparedness.

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APPENDICES

APPENDIX I: INTERVIEW GUIDE

A: Chief Manager – Corporate Strategy

- (i) Does the organization have a business strategy? How is it aligned with Procurement strategy implementation?
- (ii) Do systems and structures aligned with the resources of the organization? Are there challenges associated with the alignment in the context of implementing Procurement strategy?
- (iii) The organization’s mission is “powering people for better lives” whereas its vision is to “provide world class power that delights the customers”: How have the mission and vision helped the company turn around in implementing procurement strategy?
- (iv) The organization’s core values include: Customer First, One Team, Passion, Integrity and Excellence: How have these five pillars been embraced in the implementation of procurement strategy in the Company? Are there challenges in embracing them in the organization?
- (v) What are the corporate objectives of the Procurement strategy?
- (vi) What are the challenges of corporate implementation of procurement strategy?
- (vii) What are the factors mitigating the corporate implementation of procurement strategy?

B: Chief Manager, Supply Chain & Logistics

- (i) Do you think KPLC has adopted best procurement strategy (world class procurement practices)? If yes/no, what are the alluding contributions to either?
- (ii) Have procurement processes and systems changed in any way following the enforcement of the Procurement & Disposal Act in 2007?
- (iii) In your opinion do you think procurement strategy maximizes on value in sourcing and disposal?
- (iv) What challenges do you face in implementing the procurement strategy of goods and services?

- (v) What are the mitigating factors to counter the challenges in the procurement strategy implementation?

C: Chief Manager -Human Resources and Administration

- (i) On recruitment, what do you categorically look for in engaging new employees in the procurement function?
- (ii) What is employee satisfaction in the last three years in terms of material availability and internal customer satisfaction?
- (iii) Do you have a training calendar for Procurement Function in each year and is it strictly adhered to? What are the challenges in implementing the procurement skills to business growth in the company?
- (iv) How are employees rewarded for:-
 - (a) Good performance?
 - (b) Poor performance, in the implementation of procurement strategy in the organisation?

D: Chief Manager, Finance

- (i) What are the mitigating measures of handling payment risks for suppliers who require advance payment?
- (ii) Is there a working mechanism to detect cases of payment for non delivery of items/services?
- (iii) There is general concern from the Contractors, suppliers and other service providers that delay in payment is attributed to unnecessary bureaucracy that has discouraged most of the suppliers not participate in tendering. What is your comment on this?
- (iv) Do you have cases of double payment?. If so, how do you mitigate against this vice?

E: Supply Chain Manager (logistics)

- (i) How are records for material receipts and issues maintained?
- (ii) Do your storage warehouses/yards hold a stock of obsolete and obsolescent materials?
- (iii) Do you have in place material /service inspection and acceptance committee? What is its role? What are the challenges faced by the above committee at a receipt stage?

- (iv) Are materials always available to meet customer needs? What are the challenges associated with non – availability of materials?
- (v) Are contractors and internal customers satisfied with your service as far as issuance of materials is concerned? What are the possible challenges in managing stocks in implementing procurement strategy?
- (vi) Briefly, highlight the mitigating solutions to the above challenges.

F: Supply Chain Manager (Procurement)

- (i) Do you have a procurement plan? How effective is it as far as procurement of goods and services is concerned? Do you encounter challenges in obtaining and consolidating a procurement plan from user departments?
- (ii) It is understood that most of your operational materials are overseas sourced: How effective or ineffective is this source as far as customer satisfaction is concerned?
- (iii) What is your procurement lead time? Does it meet the stakeholder's expectation as far as customer satisfaction is concerned?
- (iv) Are sources of funds available whenever you initiate a procurement of an item/service?
- (v) Are your suppliers reliable in terms of quality, price and delivery time? If not, how do you address the bottlenecks in embracing implementation of Procurement Strategy?
- (vi) How do you outsource? Do you encounter challenges in outsourcing.

G: Customer Relations and Marketing Manager

- (i) What is your customer satisfaction index in the last three years? Briefly explain reasons alluding to these indices in implementation of procurement strategy.
- (ii) What are the common complaints lodged by customers in supply of Electricity?
- (iii) How are these complaints addressed?

APPENDIX II : LETTER FOR REQUEST OF DATA COLLECTION

Oginda Elijah
School of Business,
University of Nairobi,
Po Box 30197,
Nairobi.
30th. September, 2013.

The Chief Manager, Human Resources and Administration,
Kenya Power & Lighting Company Limited,
Po Box 30099,
Nairobi.

Dear Sir/Madam,

RE: REQUEST FOR RESEARCH DATA

I am a postgraduate student at the University of Nairobi in the School of Business undertaking a master's Degree in Business Administration (Strategic Management). As one of the requirements for the award of the degree, I am supposed to carry out a research and produce a project. On this aspect, I have identified the organization as my case of study. My topic of research is "**Challenges of Implementing Procurement Strategy at Kenya Power and Lighting Company Limited**".

Consequently, because this is a case study, I am intending to collect the data through personal interviews and recording the responses by way of writing. I am kindly requesting your office to grant me permission to conduct my study in the company. The respondents of the study will be drawn from all levels of management (Corporate, Departmental and Functional).

I look forward for your positive response. Thank you.

Yours Faithfully,

Oginda Elijah

APPENDIX III: UNIVERSITY OF NAIROBI LETTER



UNIVERSITY OF NAIROBI SCHOOL OF BUSINESS KISUMU CAMPUS

Telegrams: "Varsity" Nairobi
Fax: 4181650
Kisumu, Kenya
Telex: 22095Varsity
Mobile: 0720348080
Email: ajaleha@uonbi.ac.ke

P.O Box 19134-40123
Kisumu, Kenya

Date: 01st October, 2013.

TO WHOM IT MAY CONCERN

The bearer of this letter Elijah Oginda

REGISTRATION NO: D61/65044/2011

The above named student is in the Master of Business Administration degree program. As part of requirements for the course, he is expected to carry out a study on "Challenges of Implementing Procurement Strategy at the Kenya Power and Lighting Company Limited"

He has identified your organization for that purpose. This is to kindly request your assistance to enable him complete the study.

The exercise is strictly for academic purposes and a copy of the final paper will be availed to your organization on request.

Your assistance will be greatly appreciated.

Thanking you in advance.

Sincerely,


MR. JALEHA ALEX
COORDINATOR, SOB, KISUMU CAMPUS
Cc File Copy



ISO 9001:2008

*The Fountain of Knowledge
Providing leadership in academic excellence*