

**PROCUREMENT PRACTICES AND ORGANIZATIONAL PERFORMANCE:
CASE STUDY OF THE UNIVERSITY OF NAIROBI**

BY

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DECLARATION

I, the undersigned, declare that this research project is my original work and has not been submitted to any other college, institution or university other than The University of Nairobi for examination.

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

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DEDICATION

TO

ALMIGHTY GOD

For the gift of life and good health throughout the research period

TO

MY PARENTS AND SISTERS

For investing in my education and ensuring I uninterruptedly pursue my career dreams

For their support and encouragement during the entire period of study

ACKNOWLEDGEMENT

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LIST OF ABBREVIATIONS/ACRONYMS

- EDI - Electronic Data Interchange
- FP - Financial Performance
- GDP - Gross Domestic Product
- KISM - Kenya Institute of Supply Management
- LT - Legitimacy Theory
- PAT - Principal-Agency Theory
- PM - Performance Measurement
- PMP - Product Market Performance
- PPOA - Public Procurement Oversight Authority
- SCM - Supply Chain Management
- SPSS - Statistical Package for Social Sciences
- SR - Shareholder Return
- UK - United Kingdom
- UoN - University of Nairobi

ABSTRACT

Procurement practices are vital activities in the public sector, since procurement process is generally a critical part of organizations' expenditure. The linkage of procurement to organizational performance in particular, makes the embracing of best practices important to success of organizations. The main aim of this study was to examine the practices in procurement and their effects to organizational performance of the University of Nairobi. The study based on the assumption that proper inventory management, procurement monitoring, procurement controls, procurement planning, as well as training of workforce can result to better organizational performance. Descriptive research design was followed. The target population of the study was the employees working at the department of procurement from which primary data was collected using structured questionnaire. Data analysis was done using descriptive and regression methods. The study established the University of Nairobi had adopted procurement practices to a moderate extent. It further found out that procurement planning and training workforce are important in influencing the organization's performance. The study concluded that application of the procurement practices in the organization is founded on proper planning and training workforce. Therefore, recommends that the key procurement actors should come up with viable ways of managing procurement process. Revitalization of the entire procurement process should be a requirement as it can help in ensuring that organizations embrace modern technological ways and trends in handling and addressing procurement issues.

CHAPTER ONE

INTRODUCTION

1.1 Background

Procurement practices are vital functions in the public sector, since procurement process is generally a critical part of open spending in organizations. Carr and Smeltzer (1997) states that procurement practices comprises of the actions taken by the purchasing organization to navigate and integrate its performance in order to increase productivity by reducing cost and time. Procurement is the practice of selecting vendors, strategic vetting, setting up payment terms, selection, negotiation of contracts and actual purchasing of goods (Weele, 2010). Lim (2014) describes procurement as a process which entails acquiring (procuring) goods, services and work that is vital to an organization. Worldwide, public procurement has become an issue of concern and debate, and has been subjected to reforms, restructuring, rules and regulations (Kabega, Kule & Mbera, 2016).

The linkage of procurement to organizational performance in particular, makes the embracing of best practices important to present organizational success. Procurement is found to be practiced in many industries around the world (Hussein & Shale, 2014). Kabega, et. al. (2016) reiterated that various public institutions both in developing and developed countries have instituted procurement reforms which involve laws and regulations but the main challenge has been inadequate regulatory compliance. Public institutions are found to be big spenders and that they deal with massive budgets (Roodhooft & Abbee, 2006). In addition, Mahmood (2010) restates that public procurement was estimated to represent 18.42% of the world Gross Domestic Product (GDP). Public procurement is recognized as essential in service delivery and it accounted

for a high proportion of total expenditure (Basheka & Bisangabasaija, 2010).

The theories guiding the research are the principal-agency theory (PAT) and the legitimacy theory (LT). The PAT concerns with the understanding that is put in place for an individual or entity (agent) to act in another's interest (principal). The legitimacy theory asserts that an organization has the mandate to explain its activities to the stakeholders, especially, if it is a public entity and should state how society will benefit from it.

The existence of integration of procurement practices in various organizational operations and support functions, harmonizing production with new orders, purchasing with demand, scheduling and shipping with customer requirements, has contributed significantly to the performance of many public organizations (Baily, 2011). Application of appropriate procurement practices strategically, has the potential impact to the performance of organizations and national economies in general (Keith, Vitasek, Manrodt, & Kling, 2016). However, Singhal (2011) observed that disruptions in procurement practices at any level devastate organizational performance. Poorly coordinated procurement practices do long-lasting damage to organizations' stock prices and profitability and need to be more thoroughly addressed by supply chain continuity planners (Thai, 2010). For leading public organizations like the University of Nairobi to respond to the current dynamic purchasing environment, it is required to embrace procurement. Since the entire procurement processes can work well in the improvement of the responsiveness of the University of Nairobi procurement systems.

1.1.1 Procurement Practices

Procurement practices can be described as activities which involve procurement planning, procurement controls, procurement monitoring and training workforce and this formed the basis of this study with addition of inventory management (Makabira & Waiganjo, 2014). An organization's procurement functions are guided by practices and activities that are entirely different hence divided into strategic and operational processes (Kaufmann, 2009). The importance of procurement in an organization has made some organizations to improve procurement processes of new systems such as, e-procurement that relates well with the varied technologies of electronic commerce such as document imaging, workflow management, bulletin boards and e-mail enabling business process remodeling (Wanyama, 2012).

Buying of goods and services through various channels necessitates organizations procurement. Public or government organization sees procurement as a good opportunity to enhance process of procurement within the public sector bodies (Makabira & Waiganjo, 2014). Kierkegaard (2006) stated that government procurement procedures could be guided by three main principles: all parties interested have an equal opportunity to submit tenders, all enquiries must receive equal treatment in order to eliminate discrimination on the grounds of the nationality of the contractor or the origin of the goods/services, and all tendering and award procedures must involve the application of objective criteria. With these combinations, proper application of procurement practices give rise to a number of benefits to an organization and to the strategic plans of organizations that could lead to acceleration and flow of important information between the buyer and supplier, and also helps to respond quickly to highly competitive new

market entrants (Dong, Xu & Zhu, 2009). On the other hand, improving financial control by making it easier to match orders, improving auditing and better security are the operational benefits of procurement practices (Ordanini & Rubera, 2008).

1.1.2 Organizational Performance

Organizational performance is the actual output or outcomes of an institution and its intended outputs or goals and objectives (Upadhaya, Munir & Blount, 2014). Organizational performance can be measured through reduction in cost, quality of goods/services delivered, productivity, lead time (Mchopa, Njau, Ruoja, Huka & Panga, 2014; and Richard, Devinney, Yip & Johnson, 2009). Hamon (2003) states that the most critical factor for effective management is Performance Measurement (PM) and that identifying and measuring the influence of Supply Chain Management (SCM) on it enhances the organizational performance. However, the subject of performance does not receive sufficient motivation in supply chain management research. The indicators of performance of an organization can be financial targets attained and satisfaction of labour force. On the same note, Ho (2008) observed that organization performance could also be estimated based on institutions effectiveness and efficiency.

According Venkatraman and Ramanujam (1986) the indicators of performance should be measured based on financial elements such as growth of sales, profit, return on investment, business performance and organization effectiveness. Delaney and Huselid (2006) emphasized that performance of an organization could be measured by observing quality of products and service, performance in the market, customers satisfaction, innovations of services, and labour force. Green and Inman (2007) further recognized

essential elements which can be used to gauge performance of any given organization include: profit, sales and market growth as well as return on investment. Consequently, Masiko (2013) observed that organizational performance can be measured by productivity, cost saved, value of services and goods distributed on time, and client contentment.

1.1.3 University of Nairobi

The University of Nairobi (UoN) is ranked among the recognized higher learning institutions in Kenya. The institution was established in 1956 as the Royal Technical College, and it registered its first A-level student graduates for industrial courses in the month of April same year. The institution is an organization whose establishment is based on the Kenyan law of higher learning institution Act of the year 2012 and the University of Nairobi Charter. More chances to get access to university education have been developed by introduction of programs of module II and III, where thousands of citizens and even foreigners are admitted for different programmes.

The current UoN procurement department was established in 2003 when it became mandatory that each public procuring entity should have a separate procurement unit. Before then, some procurement functions used to be discharged by the tender office that was under personnel while the rest was carried out by finance department. At its inception the department had a skeleton staff. Currently the department has Forty Nine (49) members of staff. Procurement department is one of the fastest growing departments of the University. The department is headed by the Procurement manager whose main responsibility is to coordinate procurement and disposal activities as well as offer

professional advice to the University. The department faces a number of challenges arising from the implementation of the Public Procurement and Asset Disposal act (2015) which requires strict adherence to the long bureaucratic procedures. However by and large, the University has met the requirements of the Public Procurement and Asset Disposal Act, 2015. As the University moves forward procurement function will continue to become more important in the management of public affairs. Furthermore, efficiency in procurement policies of the University of Nairobi is enhanced by government bodies such as the Public Procurement Oversight Authority (PPOA) and Kenya Institute of Supply Management (KISM) which assist in assuring customers, employees and stakeholders' confidence as the University institution proves that they not only procure for maximum profits but also for utmost service (Republic of Kenya, 2015).

The UoN's procurement was found fit for this study as it is one of the main contributors in transforming the institution into world class status through use and application of modern procurement principles and practices that will assure continuous flow of materials and services so that university operations are not interrupted. In addition, the procurement department is currently undergoing fundamental restructuring in order to conform to the tenets and spirit of the New Constitution, 2010 and the Public Procurement and Asset Disposal Act, 2015. This restructuring process will also enable the department to effectively and positively contribute to the UoN's mission, vision and strategic plan 2013-2018.

1.2 Problem Statement

Procurement is deemed to be part of principles of management of plans that focus on effective achievement of performance efficient in public institutions as well as growth of the nation. In practice, when procurement process is well planned and implemented, it can act as an economic instrument for guaranteeing national development (Keith et. al, 2016). Many of the third world countries are challenged by dynamic procurement revolution and this gives them difficulty on the functioning of procurement and performance together with the inside and outside dealings (Wambui, 2013). The procurement practices are fragile and predisposed to regular discontinuities (Jeppesen, 2010). Karanja and Kiare (2015) indicates that the vulnerabilities in the public and private sector evidenced in the erratic shedding and re-employment of staff when faced with downstream and upstream linkage discontinuities, affect organizational performance. Jibrin, Ejura and Augustine (2014) noted that the major problem in the current procurement industry is not on the limited regulation models but because of non-compliance and pitiable execution process.

Regardless of the effort by the private and public institutions in Kenya to improve performance of the procurement function, poor implementation and non-compliance to procurement regulations still pose as key challenges (Hussein & Shale, 2014). They are burdened with delays and occasional inability to deliver the goods to the designated organizations (World Bank, 2010). This problem has precipitated to a decline of procurement/supply performance of enormous public organizations (Schiele, Horn & Vos, 2011). With the present estimated spending of about 70% in purchasing and the importance of functions of procurement in contribution of profitability of a firm by over

25%, it will be essential for institutions to come up with a decision on how practices of procurement could assist in meeting organizations goals (Jibrin, et al, 2014).

There are various studies conducted on the topic of procurement and its relation to organizational performance which have given different findings. For instance, Nantage (2011) found out that strategic procurement management has a direct impact on the financial performance of Banks in Uganda. It is necessary to carry out similar study in a different setting and find out if the same suggestion holds in the Kenyan public institutions specifically, University of Nairobi. Kabega et al, (2016) study was on effect of procurement practices on performance of public projects in Rwanda. In their study, they did not include procurement practices like inventory management, procurement controls, procurement monitoring and training workforce of which this study intends to examine. It is also essential to test if procurement planning has an influence on the performance of the University of Nairobi.

A study carried out by Makabira and Waiganjo (2014) on the practices of procurement and corporate institution performance in Kenya with focus on Kenya national police service, indicated that procurement controls, procurement planning, procurement monitoring and training workforce in procurement practices have a great role in the performance. The study did not examine how inventory management affects performance which is one of the practices under investigation in this study. Similarly, Oyuke and Shale (2014) did a research on the procurement practices strategies and performance of organization and a unit under investigation was the office of national audit in Kenya. The findings of this research revealed that most of the respondents lacked training on

management of records, and that employee training on management of records affected performance of procurement. This study clearly shows that procurement practices specifically, inventory management is a significant function that lead better organizational performance. Therefore, this study aims to investigate inventory management in conjunction with procurement planning, procurement controls, procurement monitoring and training workforce. A study on strategic procurement practices and procurement performance among commercial banks in Kenya by Masiko (2013) suggested that the current practices of procurement needed revision as well as strengthening to consequently improve performance of procurement in the commercial banks. However, it is crucial to find out the existing procurement practices among the Kenyan universities with focus on University of Nairobi.

Several researches have been carried out on procurement practices and organizational performance. However, most of them were done in different countries focus on different aspects other than procurement practices and organizational performance. In addition, it was evidenced from this studies that the procurement process still fail in many public entities. Therefore, the aim of this study was to fill this knowledge gap in literature guided by the following research question: What effect does procurement practices have on organizational performance of the UoN.

1.3 Objectives

The main objective of this study was to establish the effect of procurement practices on organizational performance of the UoN.

The specific objectives were:

- i. To establish the extent in which UoN has adopted procurement practices.
- ii. To determine the relationship between procurement practices and organizational performance in the UoN.
- iii. To establish the challenges faced in the adoption of procurement practices at the UoN.

1.4 Value of the Study

The outcomes of this study are beneficial to the managers of the procurement department in the University of Nairobi as this research provided insight on how procurement practices affect the institution's performance. It also helped them to realize how to best deliver in order to improve the profitability, productivity, and image of the University. The approach of this study was also of great benefit to other higher learning institutions as they will be able to scrutinize on how the organizational procurement practices contribute to their performance over and above identify the loop holes that may hinder performance. This can be done in line with the legitimacy theory.

The study is important to policy makers since the findings will assist them have an insight on how the government can control public procurement practices leading to greater achievement and improved performance of public sector institutions seen as a vital plan to increase in growth of economy in Kenya. This research further provided them with vital information of which they can build on in effort to regulate and align public procurement process appropriately.

The findings of this study are as well of great value to researchers and academicians as

this research added to other scholars' literature and knowledge gap in procurement practices and filled the existing gaps as far as organizational performance is concerned and therefore, avail them with option for further research in relation to performance based on procurement practices.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the existing literature review on procurement practices and organizational performance. Specifically, this chapter covers the theoretical review, procurement practices and the challenges that affect these practices in the performance of organizations. The empirical review and conceptual framework will also be covered in this section.

2.2 Foundation of Models

This research is theoretically embedded on the Principal-Agency Theory and Theory of Legitimacy.

2.2.1 Principal-Agency Theory

This theory is the foundation model employed to ascertain the formation of this study. The economists founded this model to confront the issue related to principal and agents, where agents are persuaded to carry out some task on behalf of the principal (Health & Norman, 2004). The Principal-Agency Theory (PAT) concerns with the understanding that is put in place for an individual or entity (agent) to act in another's interest (principal). The postulations and proposition of PAT fit obviously with the issues concerning procurement and performance. For instance, the government which is in this case the principal/shareholder of the University of Nairobi chooses management (agents) to act on its behalf. For that reason, the procurement management is given power to make decisions on behalf of the government.

In the process of managing supplier quality, buyers in agency relations are likely to be faced by possible risks. By nature, it is the expectation of buyers to get good and improved quality goods and services from suppliers, however, suppliers might be hesitant to spend considerably in quality. Zu and Kaynak (2012) observed that the difference between buyers and suppliers always result in the two parties concerning themselves only with their self-interests. PAT establishes the way procurement managers carry out the procurement practices on behalf of public universities. If there is existence of poor relationship between the principle and agent, then this could affect the relationship between the suppliers and the institutions. This study therefore, used this model to determine the procurement practices' role and the performance of organizations with focus on University of Nairobi.

2.2.2 Theory of Legitimacy

This theory affirms that institutions have the command to explain their operations to their respective key actors, especially if it is a public entity should state its benefits to the society (Wilmshurst & Frost, 2000). Suchman (1995) stated that Theory of Legitimacy (LT) is a generalized assumption or perception that the activities of any organization which are workable, appropriate and viable in system which are based on social beliefs, values, definitions and norms. The notion of LT sturdily proposes that the social agreement which is between the government and the public universities is in position of being eliminated. Based on the context of procurement in public universities like the University of Nairobi, there is likelihood of existence of issues like cronyism, corruption, as well as nepotism which can affect the practice of legitimacy theory. The study therefore employed legitimacy theory to be able to examine whether the procurement

officers make disclosure of practice of procurement in order to build a better status with the respective government, key players together with the entire society. University managers may choose to legitimize and implement procurement practices on the understanding of their states or involved sections. Nevertheless, different public managers seem to differ ideally on the public expectation and their respective local authorities or agencies and even departments as the society views them to comply with their expectations.

2.3 Procurement Practices

2.3.1 Procurement Planning

Basis of work organization is provided through proper planning of projects as well as allocation of individuals' responsibilities. According to Brown and Hyer (2010) planning is comprised of the identification of the main purpose, scope definition, requirements of customers, and identification of activities of procurement, time estimation which can be based on delivery of goods and services as per cost quoted and scheduled, responsibilities assignment among other many involvements. The element of planning could be used to answers the following questions: What organizational result is expected? And what does the organization hope to accomplish by successfully completing this project? For one to understand the essential planning role which is played in successful implementation of projects, planning preparations is therefore required to be excellent, and these could involve well elaborated process scheduling of implementation phases and task timeliness, milestones, re-planning as well as fallback positions (Frese et al 2003). An implication that planning in conception is not enough as Saunders (1997), observed that planning can also consist of forecasting which assist in the cost prediction process and financial

statement. Eventually, the principle function of planning in procurement is to secure any delays in public projects implementation and avoidance of budgetary related situations which might be stumbling blocks to project success.

2.3.2 Controlling and Monitoring

Brown and Hyer (2010) described controlling and monitoring the process of system tracking a checklist which is simple to that which is sophisticated, in order to identify changes in the novel plan. These researchers further indicated that in any given controlling and monitoring process, there is need for team assigned to work on the project to be in agreement on the approaches which are appropriate in monitoring process as it is one of the key performance indicators (KPIs) in project construction. They referred control of project to decisions, actions and processes that are related to variations in project implementation. Control and monitoring of project requires a change in management process of projects that is used to make variations appropriately. Control and monitoring are key pillars to the success in implementation as it regularly compels contrast of targets against performance (Chandra, 2008).

On the same note, Brown and Hyer (2010) asserted that control and monitoring are elements that influence execution of projects and affect real performance to come from performance plan. The elements can be as follows: Murphy's Law – this element indicates the principle which states that for something which is to go wrong will always go wrong, meaning that all risks cannot be anticipated accurately; the second element is Scope Creep – it defines the propensity to growth of projects that goes beyond their primary size; Pareto's law -states that three quarters of problems of projects come about

by a margin of 20% of their related activities. Project effectiveness of system monitoring is supposed to base on operations that handle uppermost delay risks, over-runs of cost, as well as challenges to performance; last but not least, the principle of escalation of commitment – this principle notes that people pursue action of failing courses and yet their indicators position to the strategy falsehood. Therefore, project of procurement monitoring contract system tend to have an important impact on individual's ability to make decision to de-escalate or escalate their commitments.

2.3.3 Inventory Management

Warehousing and storage records need to be utilized for accepting issuing merchandise on client offices. The vast majority about these documents need to be responsible and ought to be secured against unapproved right of use. Warehousing and storage records ought further to be figured out how inside the acquisition cycle and their overseeing of economy to a chance to be coordinated for those records that relate to economic project of a procuring processes. The records acquisition management officers need supervisory to facilitate any obligations for the administration of storage records. It may be crucial that store records need to be appropriately kept in a systematic manner. It will be especially paramount to have end to end coordination of efforts within the officers that are answerable for the overseeing the economy for procurement accounts and records. The records administration branches clinched alongside procurement must give acceptable course and authority in the management about storage records close by different records in different entities (PPOA, 2008).

2.4 Procurement Practices and Organizational Performance

A system of procurement is termed to as an essential element of supply chain system in any given institution. Usually, procurement process of an organization includes operational and strategic processes as priorities in operations of the two entities which tend to differ (Turban, Lee, King & Chung, 2000). Products of procurement, management of supplier, requisitions of purchase orders as well as growth are among the key activities which are linked in procurement strategies. Most organizations decentralize their procurement tasks through procurement processes which work hand in hand with strategies that are in the centre of the processes of procurement. For a company to group together practices of purchasing, procurement will help to consolidate what will lead to greater discounts and better service from suppliers, the information acceleration found among the suppliers and buyers, reduction in hours administration, leaving them with more time to carry out duties, quickly respond to stiff competition in the entrants of new markets therefore improving the possibilities of championing new enterprises (Eng, 2004). Managing function of procurement effectively pioneers system performance in attaining its presumed goals of private public and sector.

Operationally, good procurement systems help in improving bettering precautions and auditing by making it possible for auditors and staff to countercheck and trail order transaction via the system, delivery time shorten by in terms of time cutting on delays mail documents, elimination of obstacles on time zone, since the procurement usage can be applied regularly, and therefore reducing levels of inventory, thus inventory costs. Chong and Ooi, (2008) assert that a procurement process which is termed to be well prepared and implemented increase the possibilities to organizations' inventories

reduction, encompass good services to customers, cost reduction as well as aid fast turns of inventory. Among the major procurement benefits are through the condition of short-range goals leading to productivity increase and inventory decline as well as less lead time. In relation to durable goals, the significance of these factors is responsible in expansion of market share plus integration of outside procurement activities (Li, Ragu-Nathan, Ragu-Nathan & Rao, 2006).

In addition, procurement helps to labor expansion through employee empowerment and improvement of quality of goods to come up with business rights to workplace (Johnson & Klassen, 2005). Performance of organization is measured through products and services quality, customer satisfaction, performance in market, innovation services, and relationships of employee (Delaney et al, 2006). On the other hand, Hoque and James (2000) research on performance of organization related to balanced scorecard, explained that assessment of performance of organizations is done based on investment returns, sales margin, utilization capacity, product quality and customer satisfaction. In addition, Greene et. Al. (2007) specified investment returns, market growth and sales, as well as revenue can be major elements in the measurement of performance of organizations. In all the performance measures, procurement practices have a positive relationship or generally affect the level of organizational performance.

2.5 Hurdles Experienced in Procurement

According to Tukuta and Saruchera (2015), the major hurdles which are faced by professionals of procurement in the upcoming country include: lack of sound and effective regulatory framework, poor corporate governance, procurement costs,

technological developments, reduced quality and damaged goods.

2.5.1 Poor Corporate Governance

The satisfaction of the efforts needs depend on the perception of individuals of which his/her outcome should come along with results desired (Van Eerde & Thierry, 1996). Lack of proper corporate leadership can lead to high turnover of labour normally extended in all economic sector, and therefore, affecting the stability and organization's development negatively (Chiboiwa, Samuel & Chipunza, 2010). Employees' prospects to payments of their salaries as well as motivations might not be realized, this is an indication given through performing poorly and labour turnover being high. Howard and Miller (1993) pointed out that the comparison of employees' ratio of input-output should be across other region that approves inequity. Limited equity and justice, indicates that poor corporate governance, leads to employees resignation from their workplace.

2.5.2 Lack of Sound and Effective Framework of Regulation

The procurement is distinguished through policies of non-supportive which become stumbling blocks on the acquiring of goods and services (Tukuta & Saruchera, 2015). A legal and policy frameworks that are complicated can pose risks to procurement effectiveness (Bolton, 2006). Schapper, Malta and Gilbert (2006) said that aftermath is that government and private investors will not trust each other such as private procuring firms.

2.5.3 Development in Technology

Technological process is vibrant and therefore technological change can be linked to high costs of set-up. Constraints to finance are key hindrance to capital projects, specifically in

third world countries. Savage, Fransman and Jenkins (2013) observed that most activities of procurement in the modern world are done online. Schapper et al (2006) argued that organizations within the third world countries are still left behind. Weak strategic alliances, poor infrastructure as well as change reluctance led to non-adoption and poor technological interchange in the third world countries.

2.5.4 Cost of Procurement

The placement of stock orders on costs differences come about in the order handling and processing. Therefore, cost of procurement come along with processing cost in different departments, transmission of supplier orders, transportation of the order are left out in the goods and material processing, purchased and the handling of order on the point of receivership (Kapoor & Kansal, 2003). However, Hunja (2003) observed that the failure decision demand targets of goods and services in the receiving point of organization.

2.5.5 Reduced Quality

Poor quality costs (PQC) and Cost of poor quality (COPQ) may vanish in presence of perfect systems, products and processes. IBM quality expert popularized COPQ in the year 1987 book of James H. Harrington of Poor Quality Costs (William, 2010). IBM embarked on the process of studying their costs of quality and come up with this idea in 1960s (Zu & Kaynak, 2012). On other hand, Feigenbaum's referred "cost of quality" to accurate of technicality easy for the inexperienced to conclude that production is based on better quality. The name of "poor quality costs" was adopted by Harrington who emphasized that the notion that organizations invest in discovery and avoidance of failure of products is beyond savings offset which reduce failures of product (Watson &

Howarth, 2012).

2.5.6 Damaged Goods

Decisions made based on emotions, prompt buying, suppliers' preferences and making orders on phone are the main general causes which lead to errors in procurement, specifically, in the case where organizations are growing rapidly. In the inception of any given organization, policy-makers make sure that orders of everything are made at simultaneously. Ground hitting and running usually translates to pay no heed to the warning stages in the process of procurement which could lead to overruns of inventory cost prior to compensation of purchases on revenue streams. A better and broad system of procurement necessitates the more thoughtful decision-making on the prompt orders (William, 2010).

2.6 Summary of Literature Review and Knowledge Gaps

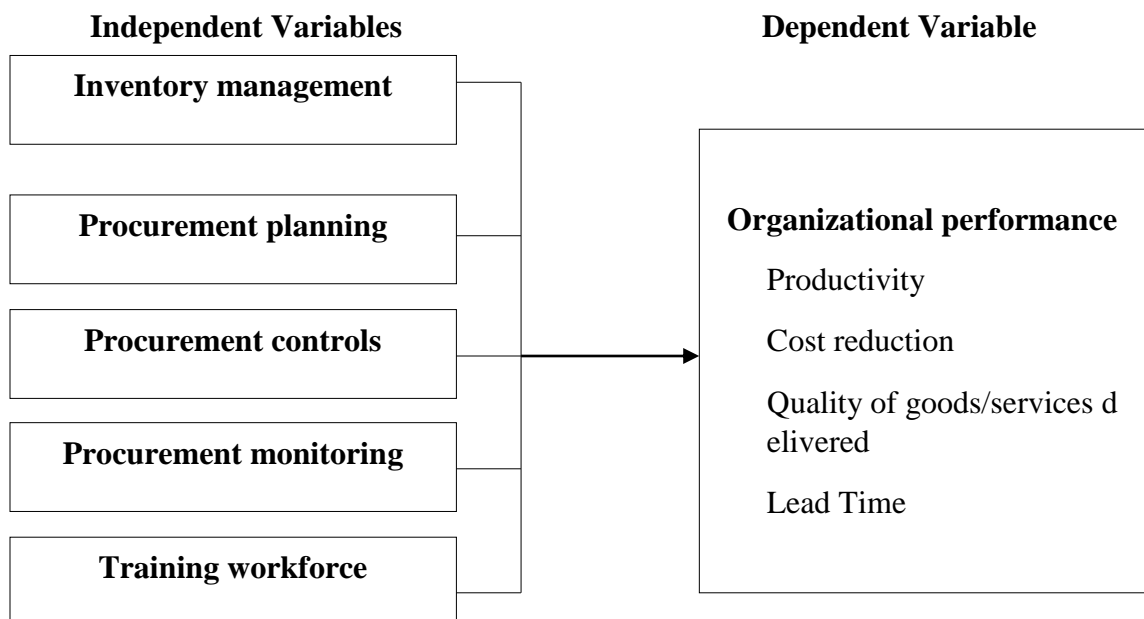
Scholars	Study	Major Findings	Knowledge Gap
Walker and Brammer (2007)	Sustainable procurement among the United Kingdom (UK) public sector.	Nature of procurement practices was found to have significant variations in public sector agencies	The study focused policies familiarization, inefficiencies/costs perceived by policies, incentives/pressures of organizations, and availability/resistance of suppliers.
Kabega, Kule and Mbera (2016)	Effect of procurement practices on performance of public projects in Rwanda	There was significant relationship between public procurement planning and performance and that the positive organizational performance in Rwanda was attributed by proper public procurement planning.	This study investigated practices such as procurement planning, tendering system, and contract administration. Their study did not outline how the government should monitor, control, and train their employees.
Makabira and Waiganjo (2014)	The role of procurement practices on performance of Kenya National Police Service in Makueni County.	Procurement practices such as development, controlling, monitoring and training workforce played a great responsibility in the performance within the Kenya National Police Service.	The existing procurement practices in this study did not include inventory management of which if applied well, can improve organizational performance.

Source: Author, 2016

2.7 Conceptual Framework

The model of concept can be described as a group of variety of principles and ideas retrieved from fields that are relevant to enquiry and structure usage to a presentation of subsequent. Conceptual framework is used to show the relationship between the independent variables and dependent variable. Figure 2.1 illustrates that the independent variables of this study are inventory management, procurement monitoring, procurement controls, procurement planning and training workforce. Literature tells as that proper inventory management, procurement monitoring, procurement controls, procurement planning, as well as training of workforce can result to better organizational performance. Organizational performance is the dependent variable which can be measured through productivity, cost saved, quality of goods/services delivered, and lead time.

Figure 2.1: Conceptual Model



Source: Author (2016)

CHAPTER THREE METHODOLOGY

3.1 Introduction

This chapter presents the methodology of research used by this study. This comprised of the research design, target population, sampling, data collection method as well as data analysis.

3.2 Research Design

The study employed descriptive research design. Descriptive research is sufficient for gathering prevailing information on situations for the reason of narration and construal (Salaria, 2012). This kind of research design was appropriate for this study as it assisted in establishing the effect of procurement practices on the organizational performance of University of Nairobi.

3.3 Study Population

The entity under investigation was the University of Nairobi. Therefore, the target population of this research was the 49 employees working at the procurement department of the University of Nairobi. The employees targeted in this department included: low level, middle level and top level managements. The research took a census.

Table 3.1: Distribution of Respondents

Respondents	Total Population
Low level management	21
Middle level management	22
Top level management	6
Total	49

Source: Author, 2016

3.5 Data Collection

The primary data was collected by use of a structured questionnaire which included both closed and open ended questions. The questionnaire consisted of five sections. Section A included demographic data, section B had questions relating to first objective of establishing the extent of adoption of procurement practices at UoN. Section C had data on second objective of determining the connection between procurement practices and performance of UoN. Section D comprised questions which were used to ascertain the challenges that faced procurement process at the UoN. While section E had questions dealing with the aspect of organizational performance.

3.6 Data Analysis

The questionnaires completed underwent editing to check for completeness and consistency. This research used descriptive statistics and regression analysis model in the data analysis. The demographic data was distributed in frequency tables, graphs and pie charts. Descriptive analysis was used to analyze objective one and was presented in form of mean and standard deviation. Objective two was analyzed through inferential analysis which was done through regression analysis. Objective three was analyzed by use of descriptive analysis.

The analysis of objective two was guided by the following regression analysis equation:

$$OP = \alpha + \beta_1IM_1 + \beta_2PP_2 + \beta_3PC_3 + \beta_4PM_4 + \beta_5TW_5 + \varepsilon$$

Where:

OP = Organizational Performance (Productivity, cost saved, quality of goods/services delivered & timely deliveries)

α = Constant

IM₁ = Inventory management

PP₂ = Procurement Planning

PC₃ = Procurement controls

PM₄ = Procurement monitoring

TW₅ = Training workforce

β_1 β_5 are regression coefficients of the variables.

ε = Error term.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

The primary data collected from the University of Nairobi department of procurement was analyzed using the methods stated in chapter three. The chapter presents the results of data analysis that include subsections of response rate, extent of adoption, challenges incurred in procurement process and regression analysis.

4.2. Response Rate

The study targeted to gather information from the 49 employees working at the procurement department of the University of Nairobi. However, out of the targeted number of respondents only 34 of them responded to the questionnaires translating to a response rate of 69%. This response rate concurs with Mugenda & Mugenda (2003) who stated that a rate of response of above 60% is good for analysis. The non-response could be due to their busy schedules at their place of work.

4.3 Demographic Information

This section consists of distribution on gender, age, education level and work experience.

4.3.1 Distribution of Respondents by Gender

The study established the distribution of gender and the results are as given in Table 4.1. The results indicate that 61.8 percent of the respondents were male. On the other hand, 38.2 percent of the employees were female.

Table 4.1: Distribution of Respondent by Gender

Gender	Frequency	Percent
Male	21	61.8
Female	13	38.2
Total	34	100

4.3.2 Distribution of Respondents by Age

The research determined to know the age of the respondents and the outcomes are as distributed in the Table 4.2. The respondents' age was put into different reasonable categories which ranged from 18 – over 55 years.

Table 4.2: Distribution of Respondents by Age

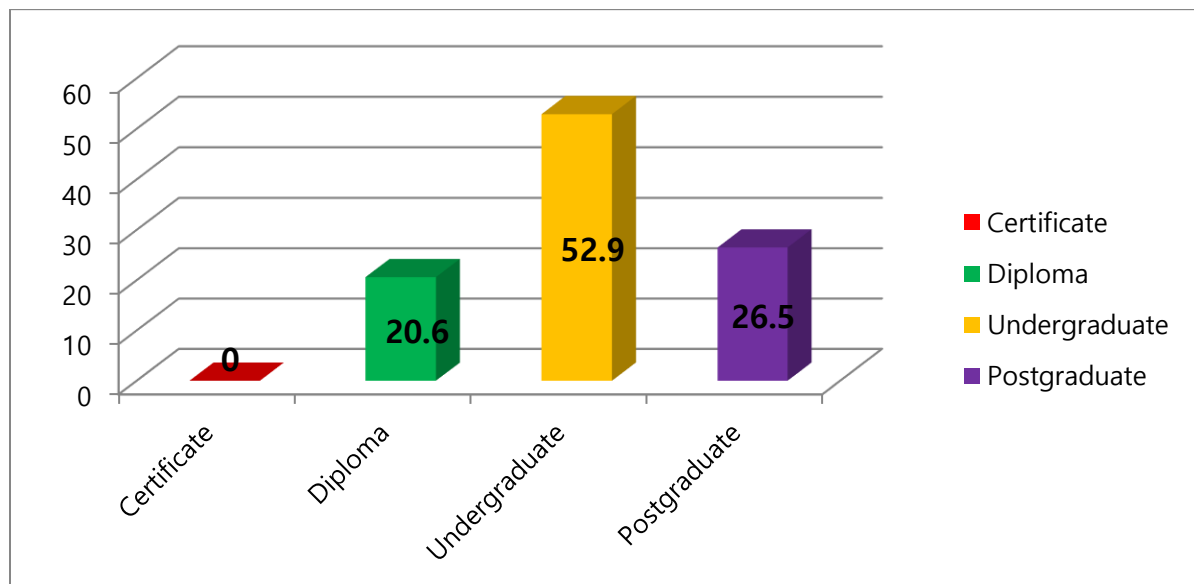
Age Bracket	Frequency	Percent
18 – 25 years	0	00.0
26 – 35 years	7	20.6
36 – 45 years	17	50.0
46 – 55 years	7	20.6
Above 55 years	3	8.8
Total	34	100

The results provided that 50% of the respondents were within the age bracket of 36 – 45 years. Those who were in the age brackets of between 26 – 35 years and 46 – 55 years, were represented by 20.6 percent respectively. Only 8.8 percent of them were aged 55 years and above, but there was none within the age bracket of 18 – 25 years. This indicates that the employees from procurement department at the University of Nairobi who participated in this research were adults.

4.3.3 Distribution of Respondents by Education Level

The results of education level showed in figure 4.1 indicate that 52.9 percent of the respondents in the procurement department at the University of Nairobi had undergraduate degrees.

Figure 4.1: Distribution of Respondents' Level of Education



26.5 percent of the employees interviewed had attained postgraduate degree. 20.6 percent of them owned diploma as their highest education level. Nevertheless, there was no one with certificate as their highest level of education. This findings show that the employees who work at the procurement department of the UoN had prerequisite education level which enabled them to fit well at their respective positions and that they were able to understand the concepts being studied.

4.3.4 Distribution of Respondents by Work Experience

Table 4.3 gives the distribution on duration of work. The findings indicate that 38.2% of the respondents had worked at the University of Nairobi for a period of between 3-4

years. 26.4% had served at their respective workplace for a period of between 5 – 6 years. Those who had worked at the procurement department for duration of less than 1 year, 1 – 2 years and over 6 years were represented by 11.8% respectively. These findings indicate that the employees under investigation have worked at the procurement department of the University of Nairobi long enough to comprehend the operations of the institution.

Table 4.3: Distribution of Respondents’ Work Experience

Duration of Work	Frequency	Percent
Less than 1 year	4	11.8
1-2 years	4	11.8
3-4 years	13	38.2
5- 6 years	9	26.4
Above 6 years	4	11.8
Total	34	100

4.4 Adoption of Procurement Practices

This section sought to investigate the extent at which UoN has adopted procurement practices. The practices under study were procurement planning, procurement controls, procurement monitoring, training workforce in procurement practices and inventory management. The analysis of this section was done based on a likert scale of 1 – 5 where Mean = 1 represented no extent, Mean = 2 is for less extent, Mean = 3 represented moderately extent, Mean = 4 represented high extent and Mean = 5 represented very high extent.

4.4.1 Adoption of Procurement Planning

The study established the extent in which UoN procurement department had adopted procurement planning and Table 4.4 shows the distribution on the findings. The results in this Table indicate that needs assessment was undertaken by respective heads of department for goods and services required to a moderate extent (Mean = 3.8). Funds being availed based on the budget reported a mean of 3.7. Whether top management was involved in the procurement planning provided a mean of 3.6. To a moderate extent (Mean = 3.5), the procurement needs were clearly defined by the heads of department. The movement of that entire procurement process is determined by procurement planning in the procurement department at UoN but to a moderate extent (Mean = 3.5).

Budget approval was being obtained for the required items before purchase orders are placed to a moderate extent (Mean = 3.4). While schedules of delivery fitting in the requirements of organization were drawn with the suppliers to a moderate (Mean = 3.3). Therefore, from the findings it can be assumed that the main activities being undertaken under procurement planning are assessment of needs being undertaken by respective heads of department for goods and services required funds being availed based on the budget and top management being involved in the procurement planning. The findings provided an overall mean of 3.5 with the highest being 3.8 and the lowest being 3.3. This is an indication that the UoN has adopted procurement plans to a moderate extent.

Table 4.4: Adoption of Procurement Planning

Aspects	Distribution of Number of Responses					N	Mean	Std. Deviation
	No Extent	Less Extent	Moderate Extent	Great Extent	Very Great Extent			
Needs assessment and is undertaken by respective heads of department for goods and services required.	0	2	8	18	6	34	3.8235	.79661
Funds are availed based on the budget	0	3	10	15	6	34	3.7059	.87141
Top management is involved in the procurement planning	0	2	17	6	9	34	3.6471	.94972
The procurement needs are clearly defined by the heads of department	0	4	11	17	2	34	3.5000	.78817
Procurement planning sets in motion the entire procurement process in the university	0	2	18	9	5	34	3.5000	.82572
Budget approval is obtained for the required items before purchase orders are placed.	0	6	8	15	3	32	3.4688	.91526
Delivery schedules that fit in the organization requirements are drawn with the suppliers	0	4	16	10	2	32	3.3125	.78030
Overall Mean							3.5224	

4.4.2 Adoption of Procurement Controls

The research asked the respondents to give their opinions on how they agreed with the statement under procurement controls and the outcomes are as distributed in Table 4.5.

Table 4.5: Adoption of Procurement Controls

Aspects	Distribution of Number of Responses					N	Mean	Std. Deviation
	No Extent	Less Extent	Moderate Extent	Great Extent	Very Great Extent			
Losses are prevented through continuously checking the purchase processes	0	1	11	16	6	34	3.7941	.76986
Procurement bids are evaluated by an independent committee	0	5	8	10	10	33	3.7576	1.06155
Invoices are checked against the local purchase order and delivery note before payment	0	3	13	11	7	34	3.6471	.91725
Received goods and services are checked against the local purchase order	0	3	11	13	4	31	3.5806	.84751
The technical abilities of the suppliers are 33 evaluated before contract awarding	0	3	17	5	8	33	3.5455	.97118
The University periodically reviews the existing procurement policies	0	3	18	7	5	33	3.4242	.86712
Procurement bids are opened by an independent committee	0	5	13	14	1	33	3.3333	.77728
Overall Mean							3.5832	

The findings indicate that all the respondents agreed to a moderate extent that losses are prevented through continuously checking the purchase processes (Mean = 3.7), procurement bids are evaluated by an independent committee (Mean = 3.7), invoices are checked against the local purchase order and delivery note before payment (Mean = 3.6), received goods and services are checked against the local purchase order (Mean = 3.5), the technical abilities of the suppliers are evaluated before contract is awarded (Mean = 3.5), the university periodically reviews the existing procurement policies (3.4), and procurement bids are opened by an independent committee (Mean = 3.3). An indication that the procurement department of the University of Nairobi ensures that controls of procurement activities are done through prevention of losses by continuously checking the purchase processes. It also evaluates procurement bids through an independent committee and checks invoices against the local purchase order, and delivery note before payment. The overall mean for adoption of procurement controls is 3.5. The highest mean is 3.7 while the lowest is 3.3. This could imply that the adoption of procurement controls at the UoN is practiced to a moderate extent.

4.4.3 Adoption of Procurement Monitoring

The study sought the opinion of the respondents on how procurement was being monitored at the University of Nairobi and the output of the results is as distributed in Table 4.6. The findings indicate that procurement is monitored to a moderate extent through close supervision of purchases being done as a way of controlling costs (Mean = 3.7), corrective actions being taken once discrepancy is identified in the procurement processes (Mean = 3.6), obstacles in the procurement process being mitigated in a timely manner (3.5), reviews of the procurement system being done at regular intervals (Mean =

3.5), and supplier evaluation being undertaken periodically to ensure quality of the goods and services (Mean = 3.4). The findings of study on procurement monitoring reported the highest mean of 3.7 and the lowest mean of 3.4 with an overall mean of 3.6.

Table 4.6: Adoption of Procurement Monitoring

Aspects	Distribution of Number of Responses					N	Mean	Std. Deviation
	No Extent	Less Extent	Moderate Extent	Great Extent	Very Great Extent			
Close supervision of purchases is done as a way of controlling costs	0	3	10	14	7	34	3.7353	.89811
Corrective actions are taken once discrepancy is identified in the procurement processes	1	2	10	12	7	32	3.6875	.99798
Obstacles in the procurement process are mitigated in a timely manner	0	5	11	11	7	34	3.5882	.98835
Reviews of the procurement system are done at regular intervals	0	5	12	11	6	34	3.5294	.96091
Supplier evaluation is periodically undertaken to ensure quality of the goods and services.	0	4	14	10	5	33	3.4848	.90558
Overall Mean							3.605	

4.4.4 Adoption of Training of Workforce

The study further sought the responses of the employees of procurement department at UoN on the issue of training workforce adoption. From the findings given in Table 4.7, it

can be seen that employees admitted but to a moderate extent (Mean = 3.5) that training on practices of procurement had improved their performance. In addition they moderately agreed with a mean of 3.4 that training in practices of procurement had improved staff knowledge and skills. However, the disagreed (Mean = 2.9) that the department had put procurement training programmes in place to enhance their skills. This could imply that the University of Nairobi is not keen on equipping its employees with necessary knowledge on practices of procurement. The highest mean as given in the Table 4.7 is 3.5 and lowest being 2.9. The overall mean provided by the study findings is 3.2 which imply that the UoN had adopted in training of its employees on procurement practices to a moderate extent.

Table 4.7: Adoption of Training of Employees Workforce

Aspects	Distribution of Number of Responses					N	Mean	Std. Deviation
	No Extent	Less Extent	Moderate Extent	Great Extent	Very Great Extent			
Training in practices of procurement has improved performance of procurement staff in UoN.	0	5	9	16	3	33	3.5152	.87039
Training in practices of procurement has improved staff knowledge and skills.	0	2	16	14	2	34	3.4706	.70648
The department has procurement training programmes in place to enhance employees' skills	0	8	20	0	5	33	2.9091	.63066
Overall Mean							3.2983	

4.4.5 Adoption of Inventory Management

The results provided in Table 4.8 are on the extent of adoption of inventory management. From the results shown in the Table, majority of the respondents strongly agreed (Mean = 4.1) that the procurement department had put in place systems and processes that identify inventory requirements.

Table 4.8: Adoption of Inventory Management

Aspects	Distribution of Number of Responses					N	Mean	Std. Deviation
	No Extent	Less Extent	Moderate Extent	Great Extent	Very Great Extent			
The department has put in place systems and processes that identify inventory requirements	3	6	13	9	2	33	4.1875	7.15017
The department handles all functions related to the tracking and management of material	0	6	14	7	6	33	3.3939	.99810
The department observes replenishment techniques	0	6	12	14	1	33	3.3030	.80951
The department always set inventory targets	0	6	15	9	1	31	3.1613	.77875
Overall Mean							3.5114	

On other hand, they agreed that their department handled all functions related to the tracking and management of material, the department observed replenishment techniques and that the department always set inventory targets as indicated by a mean of 3.3, 3.3 and 3.1 respectively. The results imply that the procurement department of the University of Nairobi had put in place proper systems and processes that identify inventory

requirements. Therefore, the highest mean for the results is 4.1 with the lowest being 3.5. The study reported an average mean of 3.5. This means that the adoption of inventory management was done at a moderate extent.

4.5 Challenges of Procurement Process at the UoN

The respondents were asked to give their opinions on the extent of the procurement challenges given in Table 4.9. This was done based on a five likert-scale where 1 = no extent, 2 = less extent, 3 = moderate extent, 4 = great extent, 5 = very great extent. To a moderate extent the respondents acknowledged that they experience delays in procurement of urgently required goods/services due to restrictions by public procurement and disposal regulations (Mean = 3.5), there exists inadequate planning by user departments (Mean = 3.4), there are complex regulations effected by the public procurement act (Mean = 3.3), procurement costs being high (Mean = 3.3), as well as department facing problem of interference by university management in the procurement processes (Mean = 3.1). Nevertheless, the respondents agreed to less extent (Mean = 2.6) that they experience delays in the supply of goods / services by some suppliers. Moreover, lack of qualified suppliers for some specialized goods / services, restriction on the procurement accounts and non-adherence to product / services specifications did not pose much challenge in the procurement process of University of Nairobi as they reported a mean of 1.9, 1.9 and 1.6 respectively. Thus, an implication that the procurement process at UoN to some extent is faced with the challenge of experiencing delays in procurement of urgently required goods/services due to restrictions by public procurement and disposal regulations, inadequate planning by user departments, complex regulations effected by the public procurement act, high procurement costs, as well as the

problem of interference by university management.

Table 4.9: Challenges of Procurement

Aspects	Distribution of Number of Responses					N	Mean	Std. Deviation
	No Extent	Less Extent	Moderate Extent	Great Extent	Very Great Extent			
Delays in procurement of urgently required goods/services due to restrictions by public procurement and disposal regulations	0	7	6	10	6	29	3.5172	1.08958
Inadequate planning by user departments	5	6	4	6	12	33	3.4242	1.52131
Complex regulations effected by the public procurement Act	4	5	7	8	9	33	3.3939	1.36792
High procurement costs	2	8	9	6	8	33	3.3030	1.26206
Interference by university management in the procurement processes	4	9	6	6	8	33	3.1515	1.39466
Delays in the supply of goods / services by some suppliers	5	9	10	9	0	33	2.6970	1.04537
Lack of qualified suppliers for some specialized goods / services	10	14	9	0	0	33	1.9697	.76994
Restriction on the procurement accounts	12	8	3	4	0	27	1.9630	1.09128
Non-adherence to product / services specifications	15	13	5	0	0	33	1.6970	.72822
Overall Mean							2.7907	

The mean of the challenges mentioned in Table 4.9 was 2.7, which could imply that these

challenges could only affect the procurement process at the UoN but to a low extent. The major one having a mean of 3.5 and the lowest has a mean of 1.6.

4.6 Procurement Practices and Performance of UoN

The study further sought to determine whether procurement practices had contributed in the performance of the University of Nairobi.

Table 4.10: Organizational Performance

Aspects	Distribution of Number of Responses					N	Mean	Std. Deviation
	No Extent	Less Extent	Moderate Extent	Great Extent	Very Great Extent			
Practices of procurement adopted by the university have contributed users' department satisfaction	0	4	3	15	10	32	3.9688	.96668
Practices of procurement adopted by the university have resulted in quality goods/services.	0	3	12	12	3	33	3.6364	.89506
Practices of procurement adopted in the university have resulted in procurement cost reduction	0	3	16	11	3	33	3.4242	.79177
Practices of procurement adopted by the university have impacted positively on university's performance	0	2	20	8	3	33	3.3636	.74239
Practices of procurement adopted by the University have resulted in timely delivery of goods and services.	1	7	9	13	3	33	3.3030	1.01504
Overall Mean							3.5392	

Where practices of procurement adopted by the university had contributed to users' department satisfaction (Mean = 3.9), practices of procurement adopted by the university had resulted in quality goods/services (Mean = 3.6), practices of procurement adopted in the university had resulted in procurement cost reduction (Mean = 3.4), practices of procurement adopted by the university had impacted positively on university's performance (Mean = 3.3), and that practices of procurement adopted by the University had resulted in timely delivery of goods and services (Mean = 3.3). This indicates that the major factor which contributed to the performance of the University of Nairobi was that the practices of procurement adopted by the university had contributed users' department satisfaction. The overall mean on organizational performance was 3.5. The lowest mean was reported to be 3.3 and the highest mean was 3.9 as shown in Table 4.10.

4.7 Relationship between Procurement Practices and Performance of Organization

The study estimated the connection between inventory management, procurement monitoring, procurement controls, procurement planning, and training workforce while the dependent variable was organizational performance which was measured by productivity, cost saved, quality of goods/services delivered, & timely deliveries. The regression model of the study was as follows:

$$OP = \alpha + \beta_1IM_1 + \beta_2PP_2 + \beta_3PC_3 + \beta_4PM_4 + \beta_5TW_5 + \varepsilon$$

Where, OP represented organizational performance, α is the constant, IM_1 is inventory management, PP_2 is procurement planning, PC_3 is procurement controls, PM_4 is procurement monitoring and TW_5 represented training workforce. β_1 , β_2 , β_3 , β_4 and β_5 are

coefficients of regression of the variables while ε is the error term.

4.7.1 Model Determination

The goodness of fit results is as displayed in Table 4.11. The regression model provided an R^2 value of 0.480. This implies that the predictors used in this model can explain 48% in variation of dependent variable. The remaining percentage can be accounted by other variables other than those used in this study.

Table 4.11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.693 ^a	.480	.367	.65817

a. Predictors: (Constant), inventory management, procurement monitoring, procurement controls, procurement planning, and training workforce

4.7.2 Test of Significance

The test of significance was estimated by use of ANOVA as indicated in Table 4.12. The model gave ANOVA regression sum squares of 9.209 and residual sum square of 9.963. The mean square for regression is 1.842 and a residual mean of 0.433. The output provided an F -statistics value of 4.252 with a p -value of 0.007.

Table 4.12: Analysis of Variance (ANOVA)

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	9.209	5	1.842	4.252	.007 ^b
Residual	9.963	23	.433		
Total	19.172	28			

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), inventory management, procurement monitoring, procurement controls, procurement planning, and training workforce

This is an implication that all the variables used in the model namely, inventory management, procurement monitoring, procurement controls, procurement planning, and training workforce are significant in predicting performance of the University of Nairobi. Therefore, from the results on the overall p – value of F – statistics given, it can be assumed that the model used in the study is significant since the confidence interval used was 95% leaving an allowance of 5%.

4.7.3 Coefficients of the Variables

The results on the regression coefficients of the variables are as indicated in Table 4.13.

Table 4.13: Coefficients of the Variables

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.977	1.068		-.915	.370
Inventory management	.135	.173	.121	.779	.444
Procurement planning	.469	.176	.444	2.667	.014
Procurement controls	.256	.167	.240	1.534	.139
Procurement monitoring	.034	.143	.042	.240	.812
Training workforce	.472	.228	.332	2.071	.050

a. Dependent Variable: Organizational Performance

From the coefficient findings provided, it is clear that proper procurement planning has a major effect on the organizations’ performance as it gave a coefficient value of 0.444 ($t =$

2.667) and a p – value of 0.014. Similarly, training workforce has a significant impact on the performance of the organisations with a coefficient value of 0.332 ($t = 2.071$) and a significance level of 0.05. However, inventory management, procurement controls and procurement monitoring seem not to have significance in predicting of performance of an organization as they provided coefficient values of 0.121 (0.779) and a p – value of 0.444, 0.240 ($t = 1.534$) and a p – value of 0.139, and 0.042 ($t = 0.240$) and a p – value of 0.812. Therefore, from the findings it can be concluded that organizational performance can be improved through proper procurement planning and training of employees on the best practices of procurement.

The predictive model provide by the research findings is as expressed below:

$$OP = 0.444PP + 0.332TW$$

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the study findings and conclusion is made in relation to the findings. The chapter as well provides the recommendations of the study and suggestions for further study.

5.2 Summary of the Findings

The summary of the findings were presented based on the study objectives which were to: establish the extent of adoption of practices of procurement at University of Nairobi, determine the relationship between practices of procurement and organizational performance of University of Nairobi, and ascertain the challenges facing procurement practices at the University of Nairobi. The study reported a response rate of 69 percent. 61.8 percent of the respondents were male. On the other hand, 38.2 percent of the employees investigated were female. Most of the respondents (50%) were found to within the age bracket of 36 – 45 years. 52.9 percent of the respondents in the procurement department at the University of Nairobi had undergraduate degrees while 26.5 percent of the employees interviewed had attained postgraduate degree. 38.2% of the respondents had worked at the UoN's procurement department for a period of between 3 – 4 years. 26.4% indicated that they had served at their respective workplace for a period of between 5 – 6 years.

Procurement planning in the UoN was practiced to a moderate extent through assessment of needs which is practiced by the top level managers of the department for required goods and services (Mean = 3.8) and funds being availed based on the budget reported

(Mean = 3.7). Top management was also found to involve in the procurement planning (Mean = 3.6). The respondents agreed to a moderate extent that losses are prevented through continuously checking the purchase processes (Mean = 3.7), procurement bids are evaluated by an independent committee (Mean = 3.7), and invoices are checked against the local purchase order and delivery note before payment (Mean = 3.6). Procurement is monitored to a moderate extent through close supervision of purchases being done as a way of controlling costs (Mean = 3.7) and corrective actions being taken once discrepancy is identified in the procurement processes (Mean = 3.6). To a moderate extent (Mean = 3.5) training in practices of procurement improved the performance of employees. In addition, training in practices of procurement had improved staff knowledge and skills (Mean = 3.4). Majority of the respondents strongly agreed that the procurement department had put in place systems and processes that identify inventory requirements. Generally, the findings given on procurement practices show that the UoN had adopted them to a moderate extent.

The key challenges experienced in the procurement department of the University of Nairobi in the adoption and implementation of practices of procurement were found to be: delays in procurement of urgently required goods/services due to restrictions by public procurement and disposal regulations (Mean = 3.5), existence of inadequate planning by user departments (Mean = 3.4), complex regulations being affected by the public procurement act (Mean = 3.3), procurement costs being high (Mean = 3.3), and department facing problem of interference by university management in the procurement processes (Mean = 3.1). However, the overall mean indicated that the challenges were a threat to UoN to a less extent. Procurement practices adopted by the university contribute

to users' department satisfaction (Mean = 3.9), and that practices of procurement adopted by the university had resulted in quality goods/services (Mean = 3.6).

The results of the predictor model on the relationship between the independent and dependent variables indicated that all the factors used in this study put together have an influence on the performance of the organization. The regression model provided an R^2 value of 0.480. Which means that the independent variables used in this model can explain 48% in variation of dependent variable. The model output provided an F -statistics value of 4.252 with a p – value of 0.007. On the coefficient results, procurement planning has a significant influence on the performance of organizations as it provided a coefficient value of 0.444 ($t = 2.667$) and a p – value of 0.014. Likewise, training workforce indicated a significant effect on the performance of the organisations with a coefficient value of 0.332 ($t = 2.071$) and a significance level of 0.05.

5.3 Conclusion

Based on the findings the study concludes that the UoN has adopted the procurement practices to a moderate extent and that there is a relationship between the practices of procurement and organizational performance. Practices of procurement which are followed by University of Nairobi include: inventory management, procurement monitoring, procurement controls, procurement planning, and training workforce. However, only procurement planning and training of staff was found to influence the performance of the university.

The application of the practices of procurement in the organization is founded on proper planning. Through proper procurement planning, a firm can be sure of increasing its

performance level in form of productivity, cost cutting, quality of goods and services delivered as well as deliveries being made on time. Training on the modern practices of procurement is as well an important recipe in the formation of solid ground which can lead to better performance of an organization. Employees are able to get more knowledge and skills on procurement subject which can enable them have easy time in their daily operations of offering procurement services.

For an organization to realize an increase in procurement performance, should also put in place ways to tackle potential threats that might hinder its competitive advantage. This study realized that delays in procurement of urgently required goods/services due to restrictions by public procurement and disposal regulations, existence of inadequate planning by user departments, complex regulations being affected by the public procurement act, procurement costs being high as well as high department facing problem of interference by university management in the procurement processes were among the challenges that face organizations in their effort to improve their institutions' performance. Organizations should therefore create solutions of tackling any threats posed by this hurdles. This can be done through introduction of new trends in handling procurement activities like modern electronic systems.

5.4 Recommendations

This study therefore recommends that the key procurement actors should come up with viable ways of managing procurement process. To ensure better performance, organizations should not only focus on planning and training but also on the procurement inventory, control and monitoring. Critical revitalization of procurement process is a

requirement as it can assist in ensuring that organizations embrace modern technological ways and trends in handling and addressing procurement issues. The organization's management in conjunction with other stakeholders should embrace modern ways in planning and should as well come up with well-tailored training programs on practices of procurement.

5.5 Suggestion for Further studies

This study examined practices of procurement and organizational performance. It is therefore suggested that further researches should be carried out on this subject but in different areas to build and add more knowledge in the area of procurement to determine the perception on practices of procurement and organizational performance. This research only focused on University of Nairobi; nonetheless, it could be appropriate to carry out more studies on other institutions of higher learning to establish more insights on the subject matter.

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INTRODUCTORY LETTER

Dear Respondent,

I am a student at University of Nairobi Department of Management Science in the School of Business undertaking Masters' Degree in Business Administration. I request you to spare your time to fill this questionnaire that is intended to find out **Procurement Practices and Organizational Performance at the University of Nairobi**. Kindly spare some time to fill the attached questionnaire to enable me complete the study for which I will be very grateful. You are kindly requested to fill in the blank spaces at the end of each question or statement or simply put a tick where appropriate. This information will be used purely for academic purposes and will be treated in strict confidence. You need not include your name. Any additional information that you might feel is necessary for this study is welcome.

Your participation in this study will be valuable as it will contribute to the achievement of the study objectives. Please respond as honestly and truthfully as possible. Put a tick (√) on the appropriate answer on the statements below.

Acceptance to be a respondent in this study

I _____ have agreed to participate in the study

Signature (Do not indicate your name)

Thanks in advance for your support.

Regards,

Angela Leiyan

UoN Student

QUESTIONNAIRE

Please tick (✓) the box that matches your answer to the questions and give the answers in the spaces provided as appropriate.

SECTION A: BACKGROUND INFORMATION

1. Gender of respondent

Male [] Female []

2. Age of respondent

18 - 25 [] 26 - 35 years [] 36 - 45 years [] 46 - 55 years []

Above 55 years []

3. What is your highest level of education?

Certificate [] Diploma Level [] Undergraduate [] Postgraduate []

Any other, please specify

4. What is your designation in the procurement department?

5. How long have you worked in the procurement department

Less than 1 year [] 1 – 2 years [] 3 – 4 years [] 5 – 6 years [] Above 6 years []

SECTION B: PROCUREMENT PRACTICES

6. Indicate the extent to which your department has adopted the following procurement practices.

A. Procurement planning	No extent	Less extent	Moderate extent	Great extent	Very great extent
Top management is involved in the procurement planning					
Needs assessment is undertaken by respective heads of department for goods and services required.					
Budget approval is obtained for the required items before purchase orders are placed.					
Procurement planning sets in motion the entire procurement process in the university					
The procurement needs are clearly defined by the heads of department					
Delivery schedules that fit in the organization requirements are drawn with the suppliers					
Funds are availed based on the budget					

B. Procurement controls	No extent	Less extent	Moderate extent	Great extent	Very great extent
The University periodically reviews the existing procurement policies					
Procurement bids are opened by an independent committee					
Procurement bids are evaluated by an independent committee					
The technical abilities of the suppliers are evaluated before contract awarding					
Received goods and services are checked against the local purchase order					
Invoices are checked against the local purchase order and delivery note before payment					
Losses are prevented through continuously checking the purchase processes					

C. Procurement Monitoring	No extent	Less extent	Moderate extent	Great extent	Very great extent
Reviews of the procurement system are done at regular intervals					
Supplier evaluation is periodically undertaken to ensure quality of the goods and services.					
Corrective actions are taken once discrepancy is identified in the procurement processes					
Obstacles in the procurement process are mitigated in a timely manner					
Close supervision of purchases is done as a way of controlling costs					

D. Training workforce in procurement practices	No extent	Less extent	Moderate extent	Great extent	Very great extent
The department has procurement training programmes in place to enhance employees' skills					
Training in procurement practices has improved staff knowledge and skills.					
Training in procurement practices has improved performance of procurement staff in UoN.					

E. Inventory Management	No extent	Less extent	Moderate extent	Great extent	Very great extent
The department has put in place systems and processes that identify inventory requirements					
The department always set inventory targets					
The department observes replenishment techniques					
The department handles all functions related to the tracking and management of material					

SECTION C: CHALLENGES OF PROCUREMENT

Indicate the extent to which the following are a challenge to the procurement process at the University of Nairobi.

Challenges	No extent	Less extent	Moderate extent	Great extent	Very great extent
Interference by university management in the procurement processes					
Inadequate planning by user departments					
Lack of qualified suppliers for some specialized goods/services					
Delays in the supply of goods/services by some suppliers					
Non-adherence to product/services specifications					
Delays in procurement of urgently required goods/services due to restrictions by public procurement and disposal regulations					
Complex regulations effected by the public procurement Act					
High procurement costs					
Restriction on the procurement accounts					

SECTION D: ORGANIZATION PERFORMANCE

1. What is the extent to which the UoN has achieved organization performance based on the following measurements?

Measurements	No extent	Less extent	Moderate extent	Great extent	Very great extent
Procurement practices adopted by the university have impacted positively on university's performance					
Procurement practices adopted by the university have contributed users' department satisfaction					
Procurement practices adopted in the university have resulted in procurement cost reduction					
Procurement practices adopted by the university have resulted in quality goods/services.					
Procurement practices adopted by the University have resulted in timely delivery of goods and services.					

Thank You