



**INFLUENCE OF PROCUREMENT MANAGEMENT PRACTICES ON PERFORMANCE OF COUNTY GOVERNMENTS  
IN KENYA. A CASE STUDY OF BUNGOMA COUNTY**

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**ABSTRACT**

*The study sought to establish the influence of procurement management practices on performance of county governments in Kenya. Descriptive research design was used for the study. The target population for this study was procurement related staff drawn from the procurement, ICT and finance departments at Bungoma County. There were 90 employees working in procurement related departments as they were arguably in a better position to answer the question in order to address the research problem. Primary data was collected using questionnaires by use of the census. The quantitative data was entered into SPSS for analysis. Both quantitative and qualitative data analysis techniques were used. Quantitative data was analyzed using descriptive statistics while qualitative data was analyzed by the use of the content analysis. Descriptive statistics such as percentages, means and standard deviations were used to analyze the data while inferential statistics such as correlation and regression analysis was used to test on the relationship between the variables of the study where multiple regression model was used at 5% level of significance. It was noted that there exists strong positive relationship between the independent variables and dependent variable. This indicated that procurement planning, supplier management, ICT and outsourcing need to be adopted to enhance procurement performance in the county governments in Kenya. The county governments should provide more training on their staff on the application of different systems and technologies applicable in procuring goods and services. The study recommended that procurement practitioners involved in procurement should be committed to high standards for professional conduct. Competence is expected of supply management professionals. The current study should therefore be expanded in future in order to determine the other determinants hindering procurement performance in the county governments in Kenya. Existing literature indicated that there was scanty information and a research needed to be undertaken in the private sector for the findings to be generalized.*

**Key Words:** Procurement Planning, ICT Integration, Supplier Management, Outsourcing, Procurement Performance

## INTRODUCTION

Procurement encompasses the whole process of acquiring property and/or services. It begins when an agency has identified a need and decided on its procurement requirement. Procurement continues through the processes of risk assessment, seeking and evaluating alternative solutions, contract award, delivery of and payment for the property and/or services and, where relevant, the ongoing management of a contract and consideration of options related to the contract. Procurement also extends to the ultimate disposal of property at the end of its useful life (Waters, 2004). Public procurement systems are central to the effectiveness of development expenditure. Budgets get translated into services largely through the governments' purchases of goods, services and works. It is estimated that 18.42% of the world's Gross Domestic Product (GDP) is spent through public procurement (Mahmood, 2010).

Performance of supply chain is based on the principles of efficiency and effectiveness (Fairgrieve & Lichère, 2011). Meeting the efficiency and effectiveness in procurement systems has become a critical factor to consider among the procurement stakeholders. Lember, Kattel and Kalvet (2014) define efficiency as the ability to avoid wastage of resources in terms of materials, energy, money and time in the procurement process. Effectiveness, on the other hand, is defined as the capability of the procurement process to produce the desired result by meeting the commercial, regulatory and socio-economic goals of government in a manner that is appropriate to the government. According to Fairgrieve and Lichère (2011), a process that is deemed to be effective leads to achievement of the intended or expected outcome or produces a deep and vivid impression of devotion towards operational performance. The core concern of the stakeholders in the devolved government constitutes adopting supplier management that promises excellence in procurement processes.

Waters & Rinsler (2014) argues that procurement encompasses the whole process of acquiring property and/or services, continues through the

processes of risk assessment, seeking and evaluating alternative solutions, contract award, delivery of and payment for the property and/or services and, where relevant, the continual management of a contract and consideration of options related to the contract extends to the ultimate disposal of property at the end of its useful life.

Supply chain performance in devolved governments is one of the major economic activities of any government. These include: redistributing income through taxation and spending, provision of public goods and services, and providing the legal framework for economic activities to flourish (OECD, 2007). In order to come up with a suitable county government procurement practice that can be compared across various public organizations, it has become necessary to design a formal government procurement codes that contain formal procurement rules and regulations across a number of countries both in the developed and developing nations (Teelken & Smeenk, 2013). For the poor developing countries, especially in the sub-Saharan Africa, the devolved county government procurement regulations and procedures have been one of the reform areas since early 2006 (Thai, 2010; OECD, 2009).

In South Africa, Supplier management is widely recognized as the most important responsibility of the purchasing function because the organization's suppliers can affect the price, quality, delivery reliability and availability of its products (Pearson & Ellram, 2008). Government aim that proper supplier relations management would help to reduce product and material costs while maintaining a high level of quality and after-sales services (Sonmez, 2008). Therefore, an efficient supplier relations management needs to be in place for the successful supply chain management. Many governments in the world have realized that they can sustain the cost reductions and improve their quality of care by concentrating on their purchasing and supplier management (Kumar *et al.*, 2007).

In Kenya, the Public Procurement and Disposal Act, of 2005 was assented to on 26<sup>th</sup> October 2005 and was revised in 2009 to establish procedures for procurement and the disposal of unserviceable, obsolete or surplus stores and equipment by public entities (Mwangi, 2009). With the gazetting of the subsidiary legislation, the PPDR of 2006, the law became operational on 1st January, 2007 (Kirugu, 2010). The Act established three independent bodies; an oversight body, the PPOA, Public Procurement Oversight Advisory Board (PPOAB) and the Public Procurement Administrative Review Board (PPARB).

Bungoma is a county in the former Western Province of Kenya. Its capital is Bungoma town. Bungoma county is strategically located as the gateway to Uganda and other Eastern and Central Africa countries including Rwanda, Burundi and Southern Sudan. It borders three Counties: Kakamega on the South, Trans Nzoia on the North and Busia on the West of Uganda. The County is home to an estimated 1.7 million people and sits on an area of 2,069 km<sup>2</sup>. It's the 3rd populous county after Nairobi and Kakamega counties. Bungoma, was named from the name *engoma* - the Bukusu word for drums. The town was originally a meeting place for Bukusu elders. The sound of drums would emanate from the area as the meeting venue, leading to its eventual naming as Bungoma. There is also a second version of the story. It says that in the early days, the area was occupied by the *Bungomek*, a clan of the Sabaot. The *Bungomek* was later driven out by the Bukusu, however the name Bungoma, in reference to their occupation, remained.

### **Statement of the Problem**

Despite the extensive law provisions that guide the procedures of procurement among devolved governments in Kenya, there has been a myriad of issues arising based on the delayed payments, illegal outsourcing, and unethical procurement which affect effective procurement management. The question that arises in this context constitutes whether the supplier management adopted in their

procurement processes has implications on the procurement performance. More than 50% of the corruption cases alleged in the devolved governments are related to supplier relations adopted (Owalla, 2016).

The poor procurement performance is a common problem in the in the many county governments with an immeasurable cost spiraling to over USD 10 million (Ksh, 85 billion) annually. Understanding these impacts is crucial in the adoption of efficient and effective supplier management strategies (Cullen, Bernon & Grost, 2015). In Kenya, the central government and county government spends about Kshs. 234 billion per year on procurement. However on annual bases, the national government losses close to Ksh. 71 billion about 17 per cent of the national budget due poor supplier relations used such as inflated procurement quotations (KISM 2014).

According to Public Procurement Oversight Authority (PPOA 2014), most of the tendered products/services in many public hospitals have a mark-up of 60 per cent on the market prices. The inefficiency and ineptness of overall selection and implementation of supplier management contributes to loss of over Ksh.50 million annually (Tom 2014). According to Victor (2012), procurement expenditure could be minimized through proper supplier relations management.

From the empirical standpoint, local studies have been done on the area of procurement performance have focused on the effect of procurement process in companies. Ngugi and Mugo (2007) analyzed the effect of procurement activities on the operation and effectiveness of public sectors in Kenya. Abdi (2012) examined procurement practices of public state corporations in Kenya Apiyo and Mburu (2014) identified that there has been limited research carried out with the aim of determining the actual reasons why the devolved units have not been able to achieve their streamlined supply chain objectives. Apiyo and Mburu (2014) addressed the general factors affecting the procurement planning in county governments; hence, they did not address the

influence of procurement management practices on performance of county governments in Kenya. Could procurement planning supplier management, ICT Integration and outsourcing hinder procurement performance in county governments in Kenya? This study sought to explore more.

### **Objectives of the Study**

The purpose of the study was to establish the influence of procurement management practices on performance of county governments in Kenya. The specific objectives were:-

- To assess how procurement planning influence procurement performance of county governments in Kenya.
- To find out how supplier management influence procurement performance of county governments in Kenya
- To establish how ICT integration influence procurement performance of county governments in Kenya.
- To identify how outsourcing influence procurement performance of county governments in Kenya.

## **LITERATURE REVIEW**

### **Theoretical Review**

#### **Supply Chain Operations Reference Model**

This theory guided the study in establishing the relationship between supplier management and performance of county governments in Kenya. The Supply Chain Operations Reference model provides a unique framework that links performance metrics, processes, best practices, and people into a unified structure (Sulek *et al.*, 2006). The framework supports communication between supply chain partners and enhances the effectiveness of supply chain management, technology, and related supply chain improvement activities. Business value, whether real or perceived, is derived from the predictability and sustainability of business outcomes. It lives, healthy or sick, in those gaps between expected vs. perceived vs. actual performance (McManus, 2002). Value is articulated by measuring what is being managed. The SCOR

model helps refine strategy, define structure (including human capital), manage processes, and measure performance (Larsson *et al.*, 2008).

An organization's annual strategic priorities are manifest in SCOR's vertical process integration. Organizations that have applied SCOR to help with supply chain problem solving, process improvement, process redesign, or business process engineering, have demonstrated that SCOR is an effective enabler for aligning an organization's portfolio of improvement projects with strategic goals and objectives. SCOR processes extend from your supplier's supplier to your customer's customer. This includes all customer interactions from order entry through paid invoice; all product (physical material and service) transactions, including equipment, supplies, spare parts, software, etc.; and all market interactions, from understanding aggregate demand to the fulfillment of each order (Lee *et al.*, 2003). The purpose of a process reference model, or business process framework, is the ability to describe your process architecture in a way that makes sense to key business partners. It is especially useful for describing value chains that cut across multiple departments and organizations, providing a common language for managing such processes.

#### **Adaptive Structuration Theory**

Based on structuration theory, the study intends to determine the effects of information technology on performance of county governments in Kenya. Structuration theory was first proposed by Anthony Giddens in his constitution of the society in 1984, which was an attempt to reconcile social systems and the micro/macro perspective of organizational structure. Desanctis and Poole (2014) borrowed from Giddens to propose AST and the rise of group decision support systems. AST provides the model whereby the interaction between advancing information technologies, social structures, and human interaction is described, and which social structures, rules, and resources provided by IT as the basis for human activity. AST is a viable approach in studying how IT affects supply chain

performance because it examines the change from distinct perspectives. AST is relevant in today's supply chain practices due to the expanding influence that advancing technologies have had concerning the human- interaction aspect of AST and its implication on socio-biologically inspired structuration in security software applications (Ramakrishna, 2005).

### Knowledge Based Theory

This theory guided the study in establishing the relationship between knowledge management and performance of county governments in Kenya. The knowledge-based theory of the firm considers knowledge as the most strategically significant resource of the firm. Its proponents argue that because knowledge-based resources are usually difficult to imitate and socially complex, heterogeneous knowledge bases and capabilities among firms are the major determinants of sustained competitive advantage and superior corporate performance (Grant 2007). This knowledge is embedded and carried through multiple entities including organizational culture and identity, policies, routines, documents, systems, and employees (Zander 2007). The knowledge-based theory determines the nature organization human recourses capabilities which are mostly influenced by the nature of training given to the employees to be competent with their work.

### Exchange Relationships Theory

An exchange relationship is defined as a mechanism for creating value through the coordination of production, consumption, and related economic activities between a customer and a supplier (Johnson & Selnes, 2004). The purpose of an exchange relationship is to connect a customer's needs with a supplier's resources and offerings. From a supplier's perspective, value creation is a process of understanding the heterogeneity of customer needs, developing products (goods and services) to fill those needs, and matching customers to products through distribution

activities in competition with other suppliers (Lee et al., 2003). From the customer's perspective, the customer chooses the supplier or suppliers that provide the highest expected benefits less any associated distribution and availability of the good' costs and risk, where benefits encompass a bundle of qualities, processes, and/or capabilities (Zhu et al.,2008).

The central concept in the framework is the nature of the exchange relationship mechanism. The value created in an exchange relationship is a direct function of both the customer's and the supplier's distribution capabilities and strategies. The strategy of the supplier in the market-matching process is to know when and where to solve distribution problems O'Farrell (2008) to identify the supplier that is perceived as the best in terms of distribution benefits less the costs and risks involved. This distribution problem solving has historically been linked to discrete product -distribution decisions (transactions). This theory relates to influence of outsourcing on procurement performance of county governments in Kenya.

### Conceptual Framework

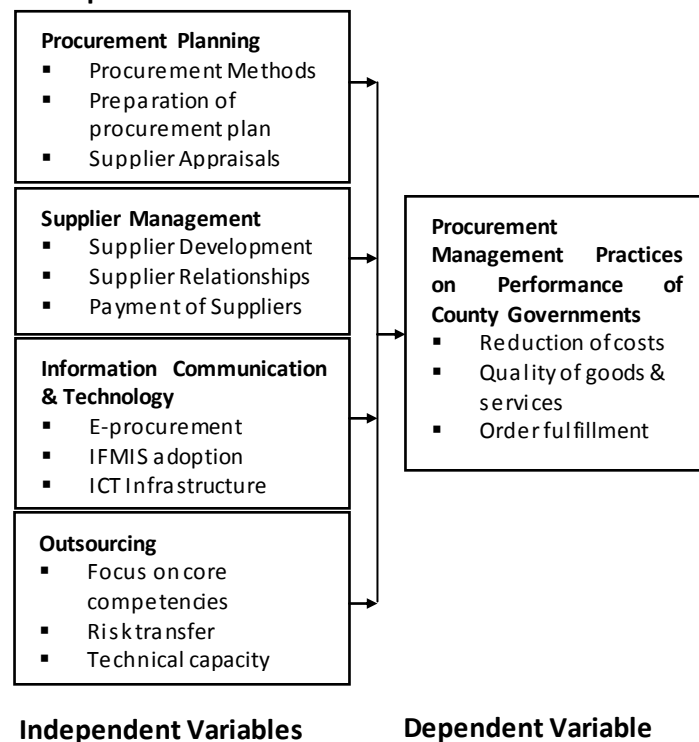


Figure 1: Conceptual Framework

### **Procurement Planning**

According to Basheka (2008) procurement planning is the primary function that sets the stage for subsequent procurement activities. James (2004), procurement planning endeavors to answer the questions of what do you want to procure; when to procure it; where to procure them from; when the resources will be available; the methods of procurement to be used and the people to be involved in the procurement. According to Bailey (2000), any procurement begins with the planning decision as to whether there is need for the particular goods or services, ensuring that the purchaser has legal powers to undertake the transaction, obtaining relevant approvals from the authorities and arranging the necessary funding. Early and accurate planning is essential to avoid last minute, emergency or unplanned procurement UN Procurement Practitioners Handbook (2006). In addition, most potential savings in the procurement process are achieved by improvements in the planning stages. Budget approval is obtained for the required items before any procurement process is initiated.

### **Supplier Management**

Supplier development is a process whereby an organization works with its supplier base to help selected suppliers improve their performances. This approach can take on a whole range of activities, from simply giving suppliers feedback about their performance so that they can improve, to providing the supplier with technical assistance, training, and process improvement support (Prasad and Tata, 2000).

The process involved in supplier development can also involve meeting with critical suppliers to identify key performance indicators such as price, technology, and service. Based on the indicators, a report card can be established with cross-functional teams to get feedback from the various businesses on how the supplier is doing (Sila, Ebrahimpour and Birkholz, 2006).

### **Information Communication Technology**

Information Communication Technologies consists of a combination of hardware and software (Henriksen & Mahnke, 2005). The use of computerized procurement systems demonstrates effective use of information technology (Crompton 2007). The use of information technology in county governments has not been effectively implemented since most of the procurement functions are subjected to manual procedures that are slow, inaccurate and ineffective.

### **Outsourcing**

The term outsourcing was introduced in 1980s even though hiring of personnel to perform a specific job had existed for over hundred years. It was originally driven by the desire to reduce costs in labor-intensive business processes, (Ekanayake & Fox, 2010). The traditional outsourcing prominence on tactical benefits like cost reduction through cheaper labor cost in low-cost countries have more recently been replaced by productivity, flexibility, speed and innovation in developing business applications, and access to new technologies and skills. (Vasiliauskienė, 2011). Sigalia (2010) echoes that procurement outsourcing can involve some or all the company's staff, technology, systems and vendor management or everything can be directed by the procurement outsourcing firm to the company. Similarly, the outsourced procurement can mean cost reduction, improved efficiency, improved compliance, and enhanced performance, (Sigalia, 2010).

### **Procurement Management Practices on Performance of County Governments**

Manyega (2015) contends that procurement performance involves allocation of sufficient resources financial, personnel, time, and establishing a chain of command or organizational structure. Ware *et al.* (2012) view procurement as the four stages of project identification and design: advertising, prequalification, bid document preparation, and submission of bids; bid evaluation, post-qualification and award of contract; and

contract performance, administration and supervision while related, (Kamotho, 2014) associates procurement performance with cost reduction, enhanced profitability, assured supplies, quality improvements and competitive advantage. Procurement performance is concerned with effectiveness and efficiency in procurement operations.

## **Empirical Review**

### **Procurement Planning**

Amida Lema (2013) conducted a study focusing on the factors affecting implementation of procurement plan in the parastatals. The study argued that preparation of procurement plan is very important to many organizations and it needs close cooperation between procurement, user departments and management in general as it acts as a roadmap to procurement of the goods and services for continuous operations hence achievement of target goals. The target population was composed of 60 respondents. The quantitative data generated was analyzed by use of descriptive statistics feature in SPSS to generate information which was presented using tables, charts, frequencies and percentages and inferential statistics to make predictions or inferences about a population from observations and analyses of a sample. The regression model was used to show the relationship between the dependent variable and the independent variables. The research findings showed a great positive correlation between procurement planning and procurement processes and procedures. These findings indicate that efficient, effective and harmonized annual implementation of procurement plan eventually result into value for money procurement. Manyara (2006) in his study, "Assessment of Annual Procurement Planning" concluded that, procurement planning in public procurement is still having a problem of implementation due to the facts that many procurement in public are conducted without following the procurement plan as a result there is misuse of funds.

### **Supplier Management**

Isika (2016) conducted a study aimed at defining the supplier relationship strategies commonly used by Sports Kenya and to establish the relationship between supplier relationship management strategies and procurement performance of Sports Kenya. The target populations of this study were 25 officers of Sports Kenya procurement department and its unit. Data collection was done through use of questionnaires and then analyzed using statistical package SPSS and presented in tables and figures. The study used regression analysis to estimate the causal relationships between factors under study. The study established that Sports Kenya has put in place a comprehensive approach to manage its suppliers of goods and services. Further, this also established that supplier segmentation strategy contributes most to the procurement performance followed by supplier performance management strategy. Sports Kenya has categorized suppliers based on well-defined classes.

### **Information Communication Technology**

Kirimi and Shalle (2014) conducted a study that reported on the factors affecting E-Procurement implementation in government ministries in Kenya. The main independent variables that guided the study included; budget allocation; skilled manpower; government policy and organization structure. A descriptive research design was used in this study. A stratified random sampling method was used to pick a sample of 73 respondents. Questionnaires were used to collect primary data from these respondents. The results indicated that a well-organized ICT system improves the implementation of procurement policy in the public sector.

### **Outsourcing**

In a published journal paper, (Bender, 2009) sought to provide insight into practical issues on outsourcing. In The paper partnering pitfalls and success factors, (bender, 2009). Established that the world has embraced the phenomenon of outsourcing and companies have adopted its



principles to help them expand into other markets. Quinn (2010) sought to provide intuition in a study titled outsourcing innovation: and concluded that Strategic management of outsourcing is perhaps the most powerful tool in management, and further held that outsourcing is no longer a new phenomenon, and has been accepted and practiced by most firms in the third world countries. In a related study, (Vagadia, 2012) focused on the role of strategic sourcing in a changing world and clinched that organizations were now re-examining their business models and structures and outsourcing was recognized as a tool for business transformation. Vagadia added that In Kenya, from the national outlook both public and private organizations were evolving and shifting from providing non-core services to outsourcing from other organizations.

#### **Procurement Management Practices on Performance of County Governments**

A study by Wanyama (2010) revealed that many public training institutions lose huge amounts of funds annually as result of implementation of ineffective procurement practices which are not in tandem with the public and disposal regulations. Mugo (2011) notes that low level of compliance with procurement regulations, lack of transparency and accountability of procurement funds lowers the level of effectiveness in procurement practices in public training institutions. Mugo (2011) established that the major factors that determine the extent to which effective procurement practices are employed in tertiary public training institutions in Kenya include; the level of compliance with procurement regulations, minimization of procurement expenditure, transparency and accountability of procurement funds and quality of procured goods and services.

#### **METHODOLOGY**

Lavkaras, (2008) describes a research design as a general plan or strategy for conducting a research study to examine specific testable research questions of interest. The study used a descriptive

research design. The target population of this study was 90 procurement related staff drawn from the three departments involved in the procurement activities in the county. According to Kothari (2008) Refers to the device used to collect data, such as a paper questionnaire or computer assisted interviewing system. The study used primary data for statistical analysis. Quantitative data was collected using questionnaires which were analyzed by the use of descriptive statistics using Statistical Package for Social Sciences (Version 22.0). Multiple regression equation applied was as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon; \text{ Where:}$$

Y= Procurement Performance of county governments;

$\alpha$  = Constant;

$X_1$  = Procurement Planning;

$X_2$  = Supplier management;

$X_3$  = ICT;

$X_4$  = Outsourcing;

$\beta_1, \beta_2, \beta_3, \beta_4$  = Coefficients;

$\epsilon$  = Error term

#### **FINDINGS**

##### **Procurement Planning**

The study sought to assess the influence of procurement planning on procurement performance of county governments in Kenya. Responses were given on a five-point likert scale (where 1 = Strongly disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; 5= Strongly Agree). The scores of 'strongly disagree' and 'disagree' were taken to represent a statement not agreed upon, equivalent to mean score of 0 to 2.5. The score of 'Neutral' was taken to represent a statement equivalent to a mean score of 2.6 to 3.4. The score of 'agree' and 'strongly agree' was taken to represent a statement highly agreed upon equivalent to a mean score of 3.5 to 5.0. Majority of respondents were found to be neutral with the statement posed in regard to the influence of procurement planning on the procurement performance of county governments in Kenya. The study established that the procurement methods used in the county were in line with the public procurement Act (Mean=4.568).

The county carried out procurement in accordance with the set procedures (Mean=3.210). The procurement plan was prepared early enough to allow for proper allocation of funds (Mean=4.321). The budget was first approved before any procurement was initiated (Mean=2.998). The county ensured there was a procurement plan to avoid reckless and over spending of funds ((Mean=3.232). The study findings implied that procurement planning did influence procurement performance of county governments in Kenya. The study findings were in agreement with literature review by Basheka (2008) procurement planning was the primary function that sets the stage for subsequent procurement

activities. James (2004), procurement planning endeavors to answer the questions of what do you want to procure; when to procure it; where to procure them from; when the resources were available; the methods of procurement to be used and the people to be involved in the procurement. Early and accurate planning was essential to avoid last minute, emergency or unplanned procurement UN Procurement Practitioners Handbook (2006). In addition, most potential savings in the procurement process were achieved by improvements in the planning stages. Budget approval was obtained for the required items before any procurement process was initiated.

**Table 1: Influence of Procurement Planning on Procurement Performance of County Governments in Kenya**

Resources	Mean	Std. Dev
The procurement methods used in the county are in line with the Act	4.568	1.762
The county carries out procurement in accordance with the set procedures	3.210	1.230
The procurement plan is prepared early enough to allow for proper allocation of funds	4.321	1.213
The budget is first approved before any procurement is initiated	2.998	1.215
The county ensures there is a procurement plan to avoid reckless and over spending of funds	3.232	1.212

### Supplier Management

The study sought to assess the influence of supplier management on procurement performance of county governments in Kenya. Responses were given on a five-point likert scale (where 1 = Strongly disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; 5= Strongly Agree). The scores of 'strongly disagree' and 'disagree' were taken to represent a statement not agreed upon, equivalent to mean score of 0 to 2.5. The score of 'Neutral' was taken to represent a statement equivalent to a mean score of 2.6 to 3.4. The score of 'agree' and 'strongly agree' were taken to represent a statement highly agreed upon equivalent to a mean score of 3.5 to 5.0. Majority of respondents were found to be neutral with the statement posed in regard to the influence of supplier management on procurement performance of county governments in Kenya. The study established that the county believed in supplier development to improve performance of

its suppliers (Mean=3.768). The county focused on building long lasting relationships with suppliers (Mean=3.221). The county made timely payments to the suppliers after goods and service delivery (Mean=3.009). The county conducted supplier appraisals annually (Mean=3.218). The county conducted supplier appraisals annually (Mean=3.228). The study results implied that supplier management influenced procurement performance of county governments in Kenya. The study findings were in agreement with literature review by Ansari (2009) that supplier management allowed firm to make better use of their suppliers capabilities and coordinating operational activities through joint planning also results to inventory reduction, smoothing production, improve product quality, and lead time reduction Browne (2004) contends that supplier relationship management was a comprehensive approach to managing an enterprise's interactions

with the organizations that supply the goods and services it uses. The goal of supplier relationship management (SRM) was to streamline and make more effective the processes between an enterprise

and its suppliers just as customer relationship management (CRM) is intended to streamline and make more effective the processes between an enterprise and its customers.

**Table 2: Influence of Supplier management on Procurement Performance of County Governments in Kenya**

Supplier Management	Mean	Std. Dev
The county believes in supplier development to improve performance of its suppliers	3.768	1.329
The county focuses on building long lasting relationships with suppliers	3.221	1.320
The county makes timely payments to the suppliers after goods and service delivery	3.009	1.338
The county conducts supplier appraisals annually	3.218	1.321

### Information Communication & Technology

The study sought to assess the influence of ICT on procurement performance of county governments in Kenya. Responses were given on a five-point likert scale (where 1 = Strongly disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; 5= Strongly Agree). The scores of 'strongly disagree' and 'disagree' were taken to represent a statement not agreed upon, equivalent to mean score of 0 to 2.5. The score of 'Neutral' was taken to represent a statement equivalent to a mean score of 2.6 to 3.4. The score of 'agree' and 'strongly agree' were taken to represent a statement highly agreed upon equivalent to a mean score of 3.5 to 5.0.

Majority of respondents were found to be in agreement with the statement posed in regard to the influence of information communication and technology on the procurement performance of

county governments in Kenya. The study established that the county had embraced E-procurement (Mean=3.889). The IFMIS was fully adopted in the county (Mean=3.984). The county had invested in up-to-date ICT infrastructure (Mean=4.324). The county had computer literate employees (Mean=3.216). The study results implied that information communication and technology influence procurement performance of county governments in Kenya. These findings were contrary to the findings of Kishor (2006) which indicated that organizations had fully embraced e-Procurement in its procurement processes and this had resulted to enhance efficiency. The finding however was in agreement with Dai and Kauffman (2001). He argues that organizations are slowly implementing e procurement in order to enhance the efficiency in procurement.

**Table 3: Influence of ICT on Procurement Performance of County Governments in Kenya**

Information Communication & Technology	Mean	Std. Dev
The county has embraced E-procurement	3.889	1.265
The IFMIS is fully adopted in the county	3.984	1.896
The county has invested in up-to-date ICT infrastructure	4.324	1.368
The county has computer literate employees	3.216	1.260

### Outsourcing

The study sought to assess the influence of outsourcing on procurement performance of county governments in Kenya. Responses were given on a five-point likert scale (where 1 = Strongly

disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; 5= Strongly Agree). The scores of 'strongly disagree' and 'disagree' were taken to represent a statement not agreed upon, equivalent to mean score of 0 to 2.5. The score of 'Neutral' was taken to represent a

statement equivalent to a mean score of 2.6 to 3.4. The score of 'agree' and 'strongly agree' were taken to represent a statement highly agreed upon equivalent to a mean score of 3.5 to 5.0.

Majority of respondents were found to be in agreement with the statement posed in regard to the influence of outsourcing on the procurement performance practices in county governments in Kenya. The study established that outsourcing of services at county government relieved the company from worrying about the massive capital that would have invested t (Mean=3.678). The outsourced personnel at county government had a remarkable technical savvy (focus on core competencies) because it was their line of specialty (Mean=4.322). Technical capacity was important

because of outsourcing, county government had developed business relationships and become competitive (Mean=3.220). Outsourced services transferred risks at county government (Mean=3.686). The study results indicated that outsourcing practices influenced procurement performance in the county governments in Kenya. The study findings were in line with the findings by Price Waterhouse Coopers (2014) established that outsourcing had moved markedly from attending to a single function more efficiently, to reconfiguring a whole process in order to attain greater shareholder value across the enterprise. The goals of outsourcing often included reducing labor and overhead costs, maximizing profits, dominating a market, and gaining a competitive advantage.

**Table 4: Influence of Outsourcing on Procurement Performance of County Governments in Kenya**

<b>Outsourcing</b>	<b>Mean</b>	<b>Std. Dev</b>
Outsourcing of services at county government relieves county from worrying about massive capital that would have invested.	3.678	1.246
The outsourced personnel at county government have a remarkable technical savvy (focus on core competencies) because it is their line of specialty	4.322	1.268
Technical capacity is important because of outsourcing, county government has developed business relationships and become competitive	3.220	1.224
Outsourced services transfer risks at county government	3.686	1.680

**Procurement management Practices on Perfomance of County Governments**

The study sought to determine procurement management practices on performance of county governments in Kenya which attributed to the adoption of the procurement planning, supplier management, ICT and outsourcing practices. Findings revealed improved procurement performance in the county governments in Kenya across the 5 year period running from the year 2013 to 2017. On the reduction of costs, a majority of respondents affirmed having grown incrementally from 0%-20% in 2013 (41.9%), to cost reduction by 0%-20% in 2014 (37.9%), 21%-40% in 2015 (34.80%), reduction of costs by 21%-40% in 2016 and 21%-40% in 2017. Quality of goods and services also recorded positive with a majority affirming a majority of respondents affirmed having grown incrementally from 0%-20% in 2013 (42.30%), to

quality of goods and services by 0%-20% in 2014 (37.7%), 21%-40% in 2015 (3.10%), quality of goods and services improved by more than 40% in 2016 and improved by more than 40% in 2017(37.50%). A similar trend was recorded in order fulfillment improvement of 0%-20% in 2013 (44.10%), 0%-20% in 2014 (35.20%), 21%-40% in 2015 (36.40%), order fulfillment improved by more than 40% in 2016(41.10%) and improved by more than 40% in 2017(37.30%). It was deduced from the findings that procurement performance in the county governments in Kenya has considerably improved with the adoption of the procurement planning, supplier management, ICT and outsourcing practices.

Procurement performance refers to efficiency and effectiveness in acquiring of goods and services in the procurement function in order to change from being reactive to proactive to attain set

performance levels in an entity (Baily *et al.*, 2005). Procurement performance has several benefits to an organization like cost saving, reduced lead time, policy adherence and compliance to procurement regulations (Bolton, 2006). Procurement activities have a relation to the organization's economic performance which is evident by cost reduction (Kinyanjui, 2012). This can be divided to effects on turnover, gross profit, efficiency, total costs and organization's equity. (Kamotho, 2014) associates procurement performance with cost reduction,

enhanced profitability, assured supplies, quality improvements and competitive advantage. Procurement performance is concerned with effectiveness and efficiency in procurement operations. The eight indicators for measurement of procurement operational performance as noted by (Rotichet *al.*, 2015) include; the level of price variance, level of contract utilization, expiration management, supplier performance, procurement cycle time and variability, payment processing time, procurement cost and staff training.

**Table 5: Procurement management practices on Performance of County Governments**

	2013	2014	2015	2016	2017
<b>Reduction of Costs</b>					
Reduced by 0%-20%	41.9	37.9	33.8	29.7	29.1
Reduced by 21%-40%	33.2	29.6	34.8	31.3	34.7
Reduced by more than 40%	24.9	31.5	31.4	39.0	36.2
<b>Quality of goods and services</b>					
Improved by 0%-20%	42.3	37.7	31.6	30.7	29.5
Improved by 21%-40%	31.8	32.9	36.1	28.2	33
Improved by more than 40%	25.9	29.4	32.3	41.1	37.5
<b>Order Fulfillment</b>					
Improved by 0%-20%	44.1	35.2	33.4	25.7	27.1
Improved by 21%-40%	31.7	32.6	30.2	33.9	35.6
Improved by more than 40%	23.5	32.2	36.4	40.4	37.3

**Multiple Regression Analysis Model**

**Table 6: Model Summary (Overall)**

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error of the Estimate
1	.837	.700	.682	.005

**Table 7: ANOVA Results/Analysis of Variance**

Model	Sum of Squares	d.f	Mean Square	F	Sig.
Regression	45.690	4	11.4225	16.264	.000 <sup>a</sup>
Residual	45.652	65	.7023		
Total	81.816	69			

NB: F-critical value = 14.765

The study conducted a multiple regression analysis so as to determine the relationship between the dependent variable and independent variables. With the aid of model  $Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$ ; Y = Dependent variable (Procurement performance);  $\alpha$  = Constant (The intercept of the model),  $\beta$  = Coefficient of the X variables (independent variables);  $X_1$ = Procurement Planning;  $X_2$ = Supplier management  $X_3$ = ICT;  $X_4$ = Outsourcing;  $\epsilon$ = was the error. Therefore, the

general form of the equation was to predict procurement performance from  $X_1$ = Procurement planning;  $X_2$ = Supplier Management;  $X_3$ = ICT;  $X_4$ = Outsourcing is:  $(Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon)$  becomes:  $Y = 19.114 + 0.791X_1 + 0.709X_2 + 0.563X_3 + 0.558X_4$ . This indicates that procurement performance = 19.114 + 0.791\*Procurement Planning + 0.709\*Supplier Management + 0.563\*ICT+ 0.558\* Outsourcing. From the study findings on the regression equation established,

taking all factors into account (independent variables) constant at zero procurement performance would be 19.114.

The data findings analysed also showed that taking all other independent variables at zero, a unit increase in procurement planning would lead to a 0.791 increase in procurement performance. Based at 5% level of significance, procurement planning was found to have a calculated  $t = 5.008$  (greater than the tabulated value of  $t > 1.96$ ) and a significance level of 0.000. This indicated that procurement planning influenced procurement performance in the county governments in Kenya. The study results corroborated with the findings by Deloitte Consulting (2014) in their survey on the performance in the public sector concluded that was claiming an inordinate amount of procurement planning time and attention greatly affected the implementation and performance of the government operations.

A unit increase in supplier management would lead to a 0.709 increase in procurement performance, supplier management show a calculated  $t = 3.006$  (greater than the tabulated value of  $t > 1.96$ ) and a significance level of 0.002 thus the value of less than 0.05. This indicates that supplier management influence procurement performance in the county governments in Kenya. This provides the supplier management capacity to focus on the activity, performance standards, and results achieved in respect to the work involved in the planning for, the establishment and subsequent management and use of supply arrangements in the public sector. This helps to ensure the organization achieves maximum spending leverage in supply negotiations. It also ensures consistent and thorough market

analysis, costing measures, and compliance methods are applied to each expenditure category (SDPC, 2009).

A unit increase in ICT would lead to 0.563 increases in procurement performance in the county governments in Kenya. The ICT was found to have a calculated  $t = 2.027$  (greater than the tabulated value of  $t > 1.96$ ) and significance level of 0.006 thus the value of less than 0.05. This indicates that ICT influenced implementation of procurement practices in the county governments in Kenya. Mahmoodzadeh, Jalalinia, and Yidzi (2009) suggest that ICT enhancement has been among the most significant transformations occurring in the public organization of work across all industrialized world. A unit increase in outsourcing would lead to 0.558 increases in procurement performance in the county governments in Kenya.

Based at 5% level of significance outsourcing was found to have a calculated  $t = 1.994$  (greater than the tabulated value of  $t > 1.96$ ) and significance level of 0.015 thus the value of less than 0.05. This shows that outsourcing influenced procurement performance in the county governments in Kenya. This was in line with Kakwezi and Nyeko (2010) who emphasize the need to make appropriate mid to longer-term policies on the adoption of outsourcing in procurement process capabilities. The rules and regulations should be used to improve strategies, policies, practices, as well as the organizational tools and technological upgrades needed to achieve the targeted level in the procurement management process and control.

**Table 8: Regression Coefficient Results**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	$\beta$	Std. Error	$\beta$		
(Constant)	19.114	3.235		5.908	.000
X <sub>1</sub> -PP	.791	.158	.687	5.008	.000
X <sub>2</sub> -SM	.709	.236	.596	3.006	.001
X <sub>3</sub> -ICT	.563	.278	.497	2.027	.006
X <sub>4</sub> -OS	.558	.280	.456	1.994	.015

## CONCLUSION

According to the study findings, the study concluded that procurement performance in the county governments in Kenya is affected by procurement planning, supplier management, ICT and outsourcing. The study concluded that procurement planning was the first important factor that affects procurement performance in the county governments in Kenya. The regression coefficients of the study showed that procurement planning has a significant influence on procurement performance in the county governments in Kenya. This implies that increasing levels of procurement planning would increase the levels of procurement performance in the county governments in Kenya. This shows that procurement planning has a positive influence on procurement performance in the county governments in Kenya.

The study also concluded that supplier management was the second important factor that affects procurement performance in the county governments in Kenya. The regression coefficients of the study showed that supplier management has a significant influence on procurement performance in the county governments in Kenya. This implied that increasing levels of supplier management would increase the levels of procurement performance in the county governments in Kenya. This showed that supplier management has a positive influence on procurement performance in the county governments in Kenya.

Further, the study concluded that ICT was the third important factor that affects procurement performance in the county governments in Kenya. The regression coefficients of the study showed that ICT has a significant influence on procurement performance in the county governments in Kenya. This implied that increasing levels of ICT would increase the levels of procurement performance in the county governments in Kenya. This showed that ICT has a positive influence on procurement performance in the county governments in Kenya. Finally, the study concluded that outsourcing was the fourth important factor that affects procurement

performance in the county governments in Kenya. The regression coefficients of the study showed that outsourcing has a significant influence on procurement performance in the county governments in Kenya. This implies that increasing levels of outsourcing would increase the levels of procurement performance in the county governments in Kenya. This showed that outsourcing has a positive influence on procurement performance in the county governments in Kenya.

## RECOMMENDATIONS

Procurement planning is usually the first stage of procurement process and therefore county governments need to develop the skills of the employees on developing quality procurement plans based on the approved budgets. The top level and lower level employees should be involved in formulation and development of the procurement plans so as to make the process of implementation easier and acceptable by all stakeholders. The procurement personnel's in county governments need to carefully studied and understood the applicable procurement thresholds in different situations and relevant procurement method applicable.

Implementation of information communication technology in procurement is very critical in determining the level of organization performance. These calls for public entities to fully invest in automating their key procurement processes so as to competitiveness and transparency in procurement processes. The investment on e-procurement is critical in enhancing the cost efficiency, delivery time, and product quality and customer satisfaction. The county governments should provide more training on their staff on the application of different systems and technologies applicable in procuring goods and services.

The study recommends that procurement practitioners involved in procurement should be committed to high standards for professional conduct. Competence is expected of supply management professionals. Developing business skills and increasing knowledge of supply

management demonstrates a commitment to the profession and positively employer, peers, and suppliers. Professional development requires continuing education.

The traditional outsourcing prominence on tactical benefits like cost reduction through cheaper labor cost in low-cost countries have more recently been replaced by productivity, flexibility, speed and innovation in developing business applications, and access to new technologies and skills. The procurement outsourcing can involve some or all the company's staff, technology, systems and vendor management or everything can be directed by the procurement outsourcing firm to the company. Similarly, the outsourced procurement can enhance

cost reduction, improved efficiency, improved compliance, and enhanced performance.

#### **Areas for Further Research**

The current study should be expanded in future in order to determine the other factors and procurement practices hindering procurement performance of county governments in Kenya. Existing literature indicated that there is scanty information and a research need to be undertaken in the private sector for the findings to be generalized. There is also need to establish the effect of the government policy and PPDA (2015) on the implementation of procurement practices in the county governments in Kenya.

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