

Factors Affecting the Effectiveness of Procurement Function in Kenya Power and Lighting Company North Rift Region

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Abstract: The purpose of this study was to look into the factors affecting the effectiveness of procurement function in Kenya Power and Lighting Company. The study will be based on the following objectives; to establish how supplier relationship management affects effectiveness of procurement function, to determine how budgetary allocation affects the effectiveness of procurement function, to determine how organizational leadership affects the effectiveness of procurement function, to investigate how cross functional integration affect effectiveness of procurement function in Kenya Power and Lighting Company. The study was confined to Kenya Power and Lighting Company. The target population included employees from KPLC and comprised of 100 employees. The total number of sampling frame was (40) employees that were drawn from three departments which included logistics (10), procurement (15) and stores (15). The researcher used questionnaires to collect primary data. Data that was obtained from the research was analyzed using descriptive statistics and presented and tabulated on the basis of various objectives and variables that measured them. It was presented and analyzed in terms of tables, charts and graphs to facilitate on the description and explanation of the study findings. The result showed that majority of the respondents strongly agreed that supplier relationship management enhances the effectiveness of procurement function for example partnership which has high role in reducing lead-time and collaborative relationship which enhances reduction of cost were strongly supported by the respondents. Furthermore the results showed that most respondents strongly agree that budget review helps in forecast of cash flow which in turn increases the productivity rate of the firm however; the process enhances setting of goals and objectives of an organization which enhances decision making which has a role in increasing service delivery in effectiveness of procurement function. it was also observed that the respondents strongly agree that integration of information in a firm has a role in service delivery; this however, indicates that information integration is one of the key roles in ensuring effectiveness of procurement function in a firm. It was found out that most respondents strongly agree that transactional leadership has a role in linking tendering process performance and team leadership has a role in shaping collective norms, helping teams cope with their environments, and coordinating collective action which increases productivity of a firm at any given point of effectiveness of procurement function .The study recommends that the management should come up with effective policy framework and regulations that can be used against those procurement officers who indulge in corruption practices with the suppliers. The study recommends that the management should adopt and implement flexible and advanced organization structure. This will enable a rapid growth and development of the firm in terms of service delivery, reduction of information loss.

Keywords: Supplier relationship management, Budgetary allocation ,cross functional integration and organizational leadership.

1. INTRODUCTION

Background:

Procurement function is a systematic and fact based approach for optimizing an organization's supply base and improving the overall value proposition. Procurement should understand its purpose in relation to the organization. Procurement should then develop a strategic plan that aligns goals and objectives in accordance with the Mission, Vision and Values, while fulfilling the obligation to meet the needs of the organization and the public. The plan should be reviewed and updated annually. With organization as a service provider, a basic measure of a successful or failed procurement is manifested through quality and magnitude of the services it provides. Procurement policies and practices are among the essential elements of good governance (World Bank, 2002).

Thai (2001), states that the basic principles of good procurement practice include accountability, where effective mechanisms must be in place in order to enable procuring entities spend the limited resources carefully, knowing clearly that they are accountable to members of the public; competitive supply, which requires the procurement be carried out by competition unless there are convincing reasons for single sourcing; and consistency, which emphasizes the equal treatment of all bidders irrespective of race, nationality or political affiliation. According to Weston (2003) procurement function involves a higher degree of collaboration and engagement between all parties in a supply chain management. Many businesses have adopted a broad interpretation of procurement function and have developed tools and techniques to support this engagement and collaboration. The letting of contracts for goods, works and services on the best possible terms has historically been based on two criteria, price and quality, with a view to maximizing benefits for the procuring organization. Procurement function broadens this framework to take account of third-party consequences of procurement decisions, forming a triple baseline of external concerns which the procuring organization must fulfill. In support of sustainable development the organization should develop and publish development procurement guidelines and procedures. When it comes to purchasing products or services, referral to these guidelines would help make the organization become a leader in environmentally responsible purchasing. On a macroeconomic level, it can be argued that there are economic benefits in the form of efficiency gains from incorporating whole-life costing into decision-making. In contrast to most arguments from procurement function proponents, these can be purely private benefits accrued by the procuring organization. In addition, the creation of sustainable markets is essential for long-term growth while sustainable development requirements foster innovation. There are also potential global applications: procurement function can favor fair trade or ethical practice, and allow extra investment to channel towards developing countries. On a microeconomic level, procurement function offers the chance for economic redistribution (Christine, 2005).

According to Auma (2009) in central government, procurement function is typically viewed as the application of sustainable development criteria to spending and investment decisions. Given high-profile socio-economic and environmental concerns such as globalization and climate change, governments are increasingly concerned that our actions meet the needs of the present without compromising the needs of the future. The Kenya in 2005 pledged to be a performance-leader in procurement function by 2009 and commissioned the business-led procurement function task force to formulate appropriate strategy. Broad-based procurement strategies are prominent across the country while it is an increasingly influential concern elsewhere, most notably Nairobi. The Kenyan government requires certain procurement practices in its buildings and supports the wide and inclusive use of them. The General Services Administration, an independent establishment and government corporation, is responsible for promoting procurement function and provides government agencies with selling and purchasing guidelines and suggestions. Procurement function is primarily done by contracting personnel and program managers but it is not restricted to such professionals. Kenya spends a significant portion of the budget to create these parastatals but is yet to reap the social welfare returns on this investment. Presently, these parastatals lack professional autonomy to enable them deliver services to the citizens fairly and impartially so as to enable everyone to achieve the society Kenyans want and desire to see. Instead they are vulnerable to the control and influence of extraneous consideration and manipulation, mostly from the political environment. Parastatals are companies or organizations which are partly or owned by government. Its procurement is therefore undertaken in the same way as in public sector. Public procurement has undoubtedly become an increasing important factor in economic and business circles globally. This is evidenced by the growing interest of donors, government, civil society, professional organizations, the private sector and the general public. After decades of messy public procurement system majority of developing countries' parastatal such as Postal Corporation of Kenya are now reforming the legal organizational and institutional framework for public procurement (Robson, 2004). Public procurement means procurement by a procurement

entity using public funds. The items involved in parastatals' procurement range from simple items or services such as clips or cleaning services to large commercial projects such as developing infrastructure. With government as a service provider, a basic measure of effectiveness in procurement is manifested through the gravity and magnitude of the services it provides. Kenya therefore needs to move fairly quickly to ensure reforms in this area are implemented. Effectiveness of procurement in government parastatals in Kenya has not been very strong because of weak laws, legal barriers and lack of sufficient funds. Many of these institutions involved in public procurement also lack the requisite technical and human resources capabilities, Government of Kenya PPA (2005). In so far as procurement in government parastatals has important economic and political implication, ensuring that the process is economical and efficient is crucial. This requires that the whole process is well understood by both the actors (the government, the procurement entities, the business community and the other stake holders including professional associations, academic institution and the general public (Daniels, 2002).

However, Kenyans have demanded changes in their governance to bring about equality especially in the awarding of tenders. As a result the government has carried out major reforms that have led to good results for all Kenyans. It has introduced and sustained strategic planning and service charters with clear targets, institutionalized performance contracting and annual performance evaluation of the suppliers, but despite the government shaping the above reforms in public procurement sector there are still issues. There are many common procurement management problems that interfere with a company's procurement process most of which are usually due to poor inventory processes and out-of-date systems, the existence of untrained procurement personnel is a big disadvantage in the procurement he further states that employees should have the right attitude, knowledge and experience of the work they are entitled to do. Eradication of wastage and corruption, addressing collusion in the tender evaluation and award, inadequate training of the procurement officers especially on the technical fields are among the major challenges that need to be addressed in procurement sector (Mutiga, 2005). Parastatals are some of the agencies that implement national decisions and policies. They are institutions managed and run by professionals and experts with requisite education, training and competence. These institutions are expected to produce objective, impartial and fair decisions or actions and thereby contribute to the realization of a free, fair and just society based on the fundamental rule of law, Government of Kenya PPOA (2005). Kenya spends a significant portion of the budget to create these parastatal but is yet to reap the social welfare returns on this investment. Presently, this parastatal lack professional autonomy to enable them deliver services to the citizens fairly and impartially so as to enable everyone to achieve the society Kenyans want and desire to see. Instead they are vulnerable to the control and influence of extraneous consideration and manipulation, mostly from the political environment (Robson, 2004). Parastatals are companies or organizations which are partly or owned by government. Its procurement is therefore undertaken in the same way as in public sector. Public procurement has undoubtedly become an increasing important factor in economic and business circles globally. This is evidenced by the growing interest of donors, government, civil society, professional organizations, the private sector and the general public. After decades of messy public procurement system majority of developing countries parastatals such as Postal Corporation of Kenya are now reforming the legal organizational and institutional framework for public procurement (Robson, 2004).

Efficient procurement is an approach tool in an organization that ensures consistency in provision of services and production of products which are quality planning, quality control, quality assurance and quality improvement. Reduction of waste, reduction of cost, maintenance of standardization and ensuring conformity and performance are among components that are affecting procurement effectiveness. Parastatals in Kenya have undergone rapid transformation but this growth has not come without any challenges i.e. some companies like Unilever one of the largest distributors in East Africa has undergone a lot of liabilities which majorly resulted from poor management of risks associated with procurement function due to lack of modernized approaches such as supplier partnership and supply chain integration.

Profile of Kenya Power and Lighting Company:

Kenya Power traces its history from 1875 when Seyyied Barghash, the Sultan of Zanzibar, acquired a generator to light his palace and nearby streets. This generator was acquired in 1908 by Harrali Esmailjee Jeevanjee; a Mombasa based merchant, leading to the formation of the Mombasa Electric Power and Lighting Company whose mandate was to provide electricity to the island. In the same year Engineer Clement Hertzels was granted the exclusive right to supply Nairobi city with electricity. This led to the formation of the Nairobi Power and Lighting Syndicate. In 1922, the Mombasa Electric Power and Lighting Company and Nairobi Power and Lighting Syndicate merged under a new company known as East African Power and Lighting Company (EAP&L). The EAP&L expanded outside Kenya in 1932 when it acquired a controlling interest in the Tanganyika Electricity Supply Company Limited now TANESCO and later obtaining a

generating and distribution licenses for Uganda in 1936, thereby entrenching its presence in the East African region. EAP&L exited Uganda in 1948 when the Uganda Electricity Board (UEB) was established to take over distribution of electricity in the country. On February 1, 1954 Kenya Power Company (KPC) was formed and commissioned to construct the transmission line between Nairobi and Tororo in Uganda. This was to transmit power generated at the Owen Falls Dam to Kenya. KPC was managed by EAP&L under a management contract. In the same year, EAP&L listed its shares on the Nairobi Securities Exchange, making it one of the first companies to list on the bourse. EAP&L exited Tanzania in 1964 by selling its stake in TANESCO to the Government of Tanzania. Due to its presence in only Kenya, EAP&L was renamed the Kenya Power and Lighting Company Limited (KPLC) in 1983. Kenya Power Company demerged from KPLC in 1997 and rebranded to Kenya Electricity Generating Company (Ken Gen) and in 2008, the electricity transmission infrastructure function was carved out of KPLC and transferred to the newly formed Kenya Electricity Transmission Company (KETRACO). Kenya Power and Lighting Company (KPLC) were rebranded Kenya Power in June 2011.

Statement of the Problem:

Parastatals have also invested a lot in technology and infrastructure to improve effectiveness although the efforts have not been enough due to limitations such as finance, harsh and inflexible organizational staff and cultural practices. These have forced the Government to put certain checks in place (Moses, & Magutu, 2013). Studies show that Kenya spends a significant portion of the budget to create these parastatals but is yet to reap the social welfare returns on this investment leading to 40% losses that is caused by vandalism, corruption and illegal connections. Presently, KPLC enjoys market monopoly in Kenya and generates billions of shillings in revenue annually as evidenced by high annual turnover. However, KPLC has come under criticism for frequent rolling blackouts, faulty technology and widespread impunity. KPLC has also been under scrutiny for lacking an electronic billing system and for failing to combat electricity theft in Kenyan slums (Muruiki, 2009). Though there seems to be an upward trend in the global market returning to normality, it is not yet clear how long it will take to get things back to normal thus the recent studies in the global market show that there is a potential increase of supply of electricity to rural areas thus the local market is expected to go up by 50% in the next five years. This is attributed to enhanced procurement function in parastatals in Kenya. Parastatals have adopted some mechanisms on how to achieve better supplier relations as to have an effective procurement function that will enhance timely delivery of their products and services. However, they are still facing problems in their procurement function despite all the efforts to achieve an effective procurement function. It is against this backdrop that the researcher aimed to look at the factors affecting the effectiveness of procurement function in the government parastatals and to fulfill this purpose, an explanatory study was undertaken at Kenya Power and Lighting Company headquarters in Nairobi which procurement officers and staff were fully involved.

Objectives of the Study:

General Objective:

The general objective of this study will be to establish the factors affecting the effectiveness of procurement function in Kenya Power and Lighting Company.

Specific objectives:

- i. To establish how supplier relationship management affects effectiveness of procurement function in Kenya Power and Lighting Company.
- ii. To determine how budgetary allocation affects the effectiveness of procurement function in Kenya Power and Lighting Company.
- iii. To investigate how cross functional integration affects effectiveness of procurement function in Kenya Power and Lighting Company.
- iv. To determine how organizational leadership affects the effectiveness of procurement function in Kenya Power and Lighting Company.

Research Questions:

- i. How does supplier relationship management affect the effectiveness of procurement function in Kenya Power and Lighting Company?

- ii. How does budgetary allocation affect the effectiveness of procurement function in Kenya Power and Lighting Company?
- iii. How does cross functional integration affect effectiveness of procurement function in Kenya Power and Lighting Company?
- iv. How does organizational leadership affect the effectiveness of procurement function in Kenya Power and Lighting Company?

Significance of Study:

The major significance of this research to the researcher is for partial fulfilment of the requirement for a degree course in Purchasing and Supplies Management of Jomo Kenyatta University of Agriculture. Secondly the study will be significant to the companies in the Kenyan parastatal and especially Kenya Power and Lighting Company will be able to know for certain how procurement function plays a bigger role in shaping their operations and how they affect their financial performance. Thirdly the findings of this study would also be invaluable to researchers and scholars, as it would form a basis for further research. The students and academics will use this study as a basis for discussions on the procurement function adopted by the Kenyan mobile service providers and how these affect their financial performance. Finally the industry regulator, the Kenya procurement oversight authority, will also find the results of this study very invaluable, as it would be able to ascertain the procurement function practices that enhance financial performance to an individual firm and as so determine whether such practices adopted in the industry conform to the guidelines provided for the industry by the government, Government of Kenya PPOA (2005).

Scope of the Study:

The study will be confined to Kenya Power and Lighting Company Headquarters which is located along Kolobot Road Stima Plaza in Parklands, Nairobi. The study will also confine itself in establishing the factors that affect the effectiveness of procurement function in Kenya Power and Lighting Company. The study will target procurement, logistics and stores department at Kenya Power and Lighting Company Headquarters due to constraints of both cost and time as it was not virtually feasible to study all the Postal outlets in the country.

Limitations of the Study:

The researcher only majored on Kenya Power and Lighting Company which did not give a clear picture of the factors that affect the effectiveness of procurement function in government parastatal in the entire country. Another remarkable limitation of the study was that only two heads of departments were picked from the entire firm. The final limitation was that some respondents gave unreliable information contrary to the expectations of the researcher while at the same time they failed to disclose full information of the board. However this was taken care of by the researcher assuring the respondents that the results of the study would be used for research purposes only.

2. LITERATURE REVIEW

Introduction:

In this chapter the researcher reviewed the empirical and theoretical literature relevant to the problem that was being investigated, conceptual framework, critique of the existing literature relevant to the study, summary and the research gaps.

Theoretical Framework:

Theoretical framework is a structure that can hold or support a theory of a research study. It introduces and describes the theory which explains why the research problem under study exists and it also consists of concepts, together with their definitions and existing theories that are used for a particular study (Terrace, 2011). In this study organizational theory and institutional theory will be discussed.

Organizational Theory:

Organizational theory is a loosely knit community of many approaches to organizational analysis. Its themes, questions, methods, and explanatory modes are extremely diverse. Organizational theory is not a single theory. Dwight Waldo noted in a review of field work in 1998: "Organization theory is characterized by vogues, heterogeneity, claims and

counterclaims" and even greater differentiation in theory and practice have developed since then. Organization theory certainly cannot be described as an orderly progression of ideas, or a unified body of knowledge in which each development builds carefully on and extends the one before it. Rather, developments in theory and prescriptions for practice show disagreement about the purposes and uses of a theory of organization, the issues to which it should address itself supervisory style, organizational culture, and the concepts and variables that should enter into such a theory. Organizations are defined as social units of people that are structured and managed to meet a need, or to pursue collective goals (Schein, 2010).

Organizations in the United States are said to have risen within a variety of social and historical contexts. Several of those factors are credited with making organizations viable and necessary options for citizens, and they built on one another to bring organizations to the level of importance that they have as of 2004. In addition to a shift to wage dependence, externalities from industrialization also created a perfect opportunity for the rise of organizations. Various negative effects such as pollution, workplace accidents, crowded cities, and unemployment became rising concerns. Rather than small groups such as families and churches being able to control these problems as they had in the past, new organizations and systems were required in order to keep their heightened effects down (Wilson, 2009).

According to Dobler (1996) the smaller associations that had contained various social issues in the past were no longer viable, and instead were collapsed into larger formal organizations. These organizations were less personal, more distant, and more centralized; but, what they lacked in locality, they made up for in efficiency. Along with wage dependency and externalities, the growth of industry also played a large role in the development of organizations. Markets that were quickly growing and expanding needed employees right away because of that, a need developed for organizational structures that would help guide and support these new employees. Some of the first New England factories relied on daughters of farmers at their onset; later, as the economy changed, they began to gain work from the farmers, and finally, from European immigrants. Many Europeans left their homes for the promises of US industry, and about 60% of those immigrants stayed in the country. They became a permanent class of workers in the economy, which allowed factories to increase production and produce more than they had before. With this large growth came the need for organizations and for leadership that was not previously needed in small businesses and firms.

Overall, the historical and social context in which organizations rose in the United States allowed for not only the development of organizations, but also for their spread and growth. Wage dependency, externalities, and growth of industries all played into the change from individual, family, and small-group production and regulation to large organizations and structure. Even though the decline in small business might not seem to substantiate how the development in organizations leads to increased aggregate economic return, it exemplifies the cut-throat nature of capitalism. As organizations develop, they devour the smaller organizations that cannot keep up, but also allow for the evolution of innovative management and production techniques for other larger companies. The development of organizations demands a higher level of skillset from workers as it continues to grow. It also builds precautionary measures on cutting-edge technology (Barney, 1996). It amplifies the need for specialization and accounts of functionalism in various organizations and their respective societies. Through much advancement in the interaction of capitalistic bureaucracies, the development of organizations is what has driven contemporary firms to thrive in its modern-day society (Frost, 1997).

Strategic Choice Theory:

A strategic choice theory was originally proposed by Child (1972) as a corrective extension to the classic contingency theory built on the basic assumption that it is possible to achieve high organizational efficiency and performance through proper consideration of the context in which strategy is formulated and implemented. From the contingency theory perspective, strategies are viewed as merely necessary responses to the changes in the environment. The strategic choice perspective was developed as an alternative to the pure deterministic function between context and organizational structure.

According to Child (1972) organizations have strategic choice when designing their structure and processes in procurement function, and while strategic decision-makers are to some degree constrained by contextual factors, they still have some room for strategic maneuvering. From a strategic choice perspective, matching or aligning organizational resources with the organization's context could be viewed as a major task for strategic decision-makers who should constantly evaluate environmental threats and opportunities and evaluate alternative strategic choices in order to achieve a strategic fit with the constantly changing environment. Thus, strategic renewal and repositioning are the central issues in

strategic choice theory. By choosing appropriate strategic alternatives, companies could increase their adaptability, while enacting and actively shaping their organizational procurement effectiveness. It could be manifested in the choice of strategic orientations (Wagner and Bode 2008).

Institutional Theory:

The institutional theory is the traditional approach that is used to examine elements of public procurement (Obanda, 2010). According to Scott (2004), institutions are composed of cultural-cognitive and regulative elements that, together with associated activities and resources give meaning to life. He further explains the three pillars of institutions as regulatory, normative and cultural cognitive. The regulatory pillar emphasizes the use of rules, laws and sanctions as enforcement mechanism, with expedience as basis for compliance. The normative pillar refers to norms (how things should be done) and values (preferred or desirable), social obligation being the basis of compliance. The cultural-cognitive pillar rests on shared understanding (common beliefs, symbols, shared understanding). This theory is very important when it comes to the implementation of sustainable procurement policy and practice in organizations that serve the public. This is a matter of organizational culture and the degree to which the prevailing climate in an organization is supportive of sustainability and/or of change in general. In other respects, this dimension includes the extent to which there is support for SP at senior levels in an organization and the degree to which organizational processes and structures support, or retard, the development of SP (Brammer& Walker, 2007).

Conceptual Framework:

According to Robinson (2009), conceptual framework is an analytical tool with several variations and contexts that can be used to make conceptual distinctions and organize ideas, he further states that strong conceptual frameworks capture something real and do this in way that is easy to recall and apply. However if one variable depends upon or is a consequence of the other variable, it is termed as a dependent variable, and the variable that is antecedent to the dependent variable is termed as an independent variable (Kothari, 2004). In this study effectiveness of procurement function depended upon its effective implementation, and hence effectiveness of procurement function was the dependent variable and independent variables were organizational leadership, budgetary allocation, cross functional integration and supplier relationship management. The following was an illustration of the relationship between the dependent and the independent variables of this study.

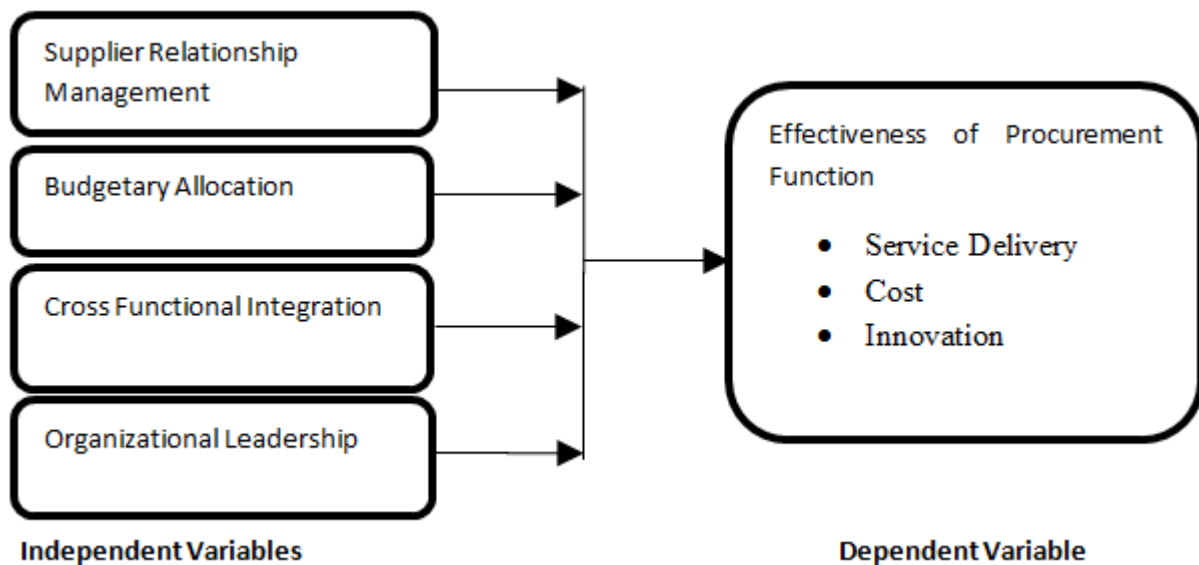


Figure 2.1 Conceptual Framework

Review of Study Variables:

Supplier Relationship Management:

Supplier Relationship Management (SRM) is a process that looks at proactively managing the link between buyer and supplier. It is a mutually beneficial process that works in two ways and should improve the performance of both. A

relationship is defined, inter alia, as connection of association. Relationships apply when individuals, organizations and groups within and external to an enterprise interact. The origin of the relationship approach to understanding buyer-seller interaction at different parts of the supply chain goes back several decades when the conventional marketing mix paradigm began to be challenged. As currently used, relationship marketing is described as a long-term strategy in which the emphasis is on building and maintaining long-term relationships with customers, rather than on one sale at a time approach. There is a trend towards buyers seeking to reduce their supplier base in many industries the practice of partnership sourcing is widespread and benefits of such practices include improved quality, innovation sharing, reduced costs and integrated scheduling of production and deliveries (Christopher, 2011). Supplier relationship management (SRM) is the systematic, enterprise-wide assessment of suppliers' assets and capabilities with respect to overall business strategy, determination of what activities to engage in with different suppliers, and planning and execution of all interactions with suppliers, in a coordinated fashion across the relationship life cycle, to maximize the value realized through those interactions. The focus of SRM is to develop two-way, mutually beneficial relationships with strategic supply partners to deliver greater levels of innovation and competitive advantage than could be achieved by operating independently or through a traditional, transactional purchasing arrangement (Lysons& Farrington, 2006).

The arguments for such close relationships can be given based on; the identification of suppliers/buyer where close relationships and interactions are desirable and possible, type of the relationship between the two and the evolution of such relationships over time. The following determinants for consideration during the relationship development; Based on the value of supplies of goods and services, they may establish the potential cost and other benefit of developing close relationships with the concerned supplier, secondly consideration on the percentage of supplies coming from the supplier; this established the dependencies on the buyer as of now, thirdly the frequencies of transaction: This refers to the obvious fact of regular supply versus the occasional specialized purchase and lastly Important of components or supply to the buyer's firm; This takes consideration of the core goods and services needed by the buying organization (Paul, 2010).

According to Lysons& Farrington (2006) in many fundamental ways, SRM is analogous to customer relationship management. Just as companies have multiple interactions over time with their customers, so too do they interact with suppliers negotiating contracts, purchasing, managing logistics and delivery, collaborating on product design, etc. The starting point for defining SRM is a recognition that these various interactions with suppliers are not discrete and independent instead they are accurately and usefully thought of as comprising a relationship, one which can and should be managed in a coordinated fashion across functional and business unit touch-points, and throughout the relationship lifecycle.

Effective supplier relationship management requires an enterprise-wide analysis of what activities to engage in with each supplier. The common practice of implementing a "one size fits all" approach to managing suppliers can stretch resources and limit the potential value that can be derived from strategic supplier relationships. Supplier segmentation, in contrast, is about determining what kind of interactions to have with various suppliers, and how best to manage those interactions, not merely as a disconnected set of transactions, but in a coordinated manner across the enterprise. Suppliers can be segmented, not just by spend, but by the total potential value (measured across multiple dimensions) that can be realized through interactions with them. Further, suppliers can be segmented by the degree of risk to which the realization of that value is subject (Sparks, 2010).SRM delivers a competitive advantage by harnessing talent and ideas from key supply partners and translates this into product and service offerings for end customers. One tool for monitoring performance and identifying areas for improvement is the joint, two-way performance scorecard. A balanced scorecard includes a mixture of quantitative and qualitative measures, including how key participants perceive the quality of the relationship. These KPIs are shared between customer and supplier and reviewed jointly, reflecting the fact that the relationship is two-way and collaborative, and that strong performance on both sides is required for it to be successful. Advanced organizations conduct 360 degree scorecards, where strategic suppliers are also surveyed for feedback on their performance, the results of which are built into the scorecard (Jonathan, 2004).

A practice of leading organizations is to track specific SRM savings generated at an individual supplier level, and also at an aggregated SRM program level, through existing procurement benefits measurement system. Part of the challenge in measuring the financial impact of SRM is that there are many ways SRM can contribute to financial performance. These include cost savings e.g., most favored customer pricing, joint efforts to improve design, manufacturing, and service delivery for greater efficiency; incremental revenue opportunities e.g., gaining early or exclusive access to innovative

supplier technology; joint efforts to develop innovative products, features, packaging, etc. avoiding stock-outs through joint demand forecasting; and improved management of risk. In a 2004 Vantage Partners study, respondents reported that on average, they could save just over \$43 million to their bottom line by implementing supplier relationship management best practices. Most supplier relationship management is where customers and suppliers develop trust and an understanding of their respective requirements and interests, accompanied by a concern for both learning from and providing assistance to each other. Where such conditions exist, the ultimate outcome should be the creation of established and dependable purchasing-supplier relationship. Such relationships are the basis of networks and provide competitive advantages for both parties (Lysons& Farrington, 2006).According to Nelly (2003) poor relationship with suppliers in a firm leads high loses of resources due to lack of better atmosphere for understanding "it does not commits resources simultaneously impacting such activities as product design collaboration, delivery scheduling, and production planning and product quality", as quoted by. This is the major problem in procurement function that can be experienced by a production industry which can prove to be much costly in the long run. This is whereby the involvement in the effective procurement management and administration is very sustainable in relevance to a long-term relationship criterion. For example, previously not ensuring properly incorporated current issues like the closeness of the relationship and continuous improvement capabilities that are now considered to be relevant in managing and controlling procurement effectiveness.

Budgetary Allocation:

Budgetary allocation is a very important aspect in any organization today. This is the process that enables proper and equal allocation of financial resources to stand for its expenses, operations and growth. On the other hand financial capability is used to obtain materials as well as other commodities which are required in the organizations, whether small or big, private or public, production or service delivery. These economic issues in every organization are so critical and therefore they should be treated with care as they have the ability the organization or failure (Daniels, 2002).However, the latent economic downturn has emerged as a major threat to future business growth prospects according to a survey released by price water house coopers. The 11th annual CEO survey released disclosed that since 2003, for the first time the confidence on the future business among the global CEOs had declined because of fear of global economic recession With the budgetary allocation interdependency which characterizes today's global economy, Africa depends on large imports to meet her needs in the organization since she lacks technology, economic power and technical know-how to add to indicators (Yermack, 1999). Africa's huge population lacks the requisite disposable income to create substantial demand centrally to what is obtained in high income countries. The demand and supply capacities of countries in the continent are currently very weak compared to other continents. On the demand side, the small GDP's of most of their economies and poor per capita earnings limits private consumption levels. On the supply side, the continent can only export largely primary and unprocessed commodities which prices are not even determined in any meaningful way from the supply end It is very obvious that economic Africa business environment is characterized by high cost of doing Business which aggregates the already known problems of low quality output or low value addition coupled with low produce volume (Daniels, 2002).

In Kenya, the government seeks to realize budgetary allocation growth, meaning the value of all output often summarized as our Gross Domestic product (GDP). As managers or businessmen for that matter, we must always be quick to ask about the relationship between economic growth, or GDP and actual improvement in the operations and development of our parastatals. This is precisely because of contradicting situation such as when the economy is said to be growing while at the same time receivership, downsizing and collapsing of companies and parastatals has not been uncommon. We should be interested in the kind of economic growth that directly translate into improved standards of doing business and high profits plus improved live for all stakeholders of organizations (Daniels, 2002). It is very obvious that economic or rather Budgetary allocation recently is very pathetic due to diverse factors such as adverse weather conditions, declining productivity in agriculture, dilapidated infrastructure, low savings and investments, high level of public debt, high cost of credit, increased illiteracy, deteriorating terms of trade as well as high world oil prices. Other adverse factors include poor governance, management and insecurity. Therefore celebration about the so called economic growth in Kenya has been premature and even deceptive. There remains a lot that we must do before we can genuinely realize and financial celebrate growth (Musyoka, 2007).

For many cooperate companies, the purchase of a company fleet is one of the most expensive undertakings. It accounts

for a huge percentage of the depreciating assets in the balance sheet and the dilapidated state of our roads further escalates the high maintenance cost. This has seen the growth of vehicle leasing where companies dealing with distribution pay an agreed monthly rental fee for use of fleet for a certain period of time from a qualified service provider. In this connection, we can clearly see that oil price in relation to distribution is double stranded. First, oil price have been having a general financial impact to the organization and second, oil is the resource that is very essential in the movement of goods. Oil cannot be done away with in the distribution operations despite the fact that it is one of the major causes of financial challenge in the global arena (Wayne, 2008). Findings of Dobler (2006) he states that economic stability dictates the prices of goods and services in an organization. This is because the seller hopes to sell his products at the highest price possible so as to make the maximum profit. In fact money or rather the economic power act as the rationing device in that it limits scarce resource or services to only few who are able to pay the price for the goods and services being offered. The deal is simple “give me much money than your competitors and the commodities or the services will be given to you” this makes those whose economic power has been worst affected by the recession to forget about the said commodities and services. The financial crisis caused by poor budgetary allocation is being felt by each organization in its effect has reached even to the domestic market. In fact the most economically promising countries that have brought millions of people into global economy for the first time are the most vulnerable. Since the world is now a global village, the economic recession impact is being felt by more than 6 billion residents of earth. Nevertheless, the inadequate budgetary allocation challenge can be overcome in the Procurement department by outsourcing things like transport services, considering forward cover contracts to hedge ourselves against the weakening Kenya shilling and reducing the wayward behavior of drivers making unauthorized trips as well as siphoning fuel. Similarly the Budgetary allocation sector is vital for economic developments and Kenyan parastatals need a reliable and supportive financial service such as credit banking and fund transfers (Wayne, 2008).

According to Caleb (2003) in order to attain organizational objectives, it is very important to ensure effective budgetary allocation. This however can be increased by poor procurement effectiveness in planning which sometimes leads to lack of attainment of organizational goals and objectives. The last decade of the twentieth century has witnessed the start of the global evolution of budgetary processes. When considering fulfilling organizational objective, it is important to ensure continuous improvement and maintenance of budgetary allocation in order to assure continuous attainment of organizational objectives such procurement effectiveness. Poor budgetary allocation thus creates an atmosphere than is unproductive. However, the cause of unproductive is not necessarily the individual's lack of service standards. Research has shown that the actions of managers, the ethical climate in the enterprise and the absence of a company policy on the matter are all contributing factors towards poor procurement effectiveness.

Organizational Leadership:

According to Messick (2004) the degree to which the individual exhibits organizational leadership traits depends not only on his characteristics and personal abilities, but also on the characteristics of the situation and environment in which he finds himself. Leadership and style may differ from one person, or situation, to the other. The word leadership has been used in various aspects of human endeavor such as politics, businesses, academics, social works, etc. Since human beings could become members of an organization in order to achieve certain personal objectives, the extent to which they are active members depends on how they are convinced that their membership will enable them to achieve their predetermined objectives. Therefore, an individual will support an organization if he believes that through it his personal objectives and goals could be met; if not the persons interest will decline. Leadership style in an organization is one of the factors that play significant role in enhancing or retaining the interest and commitment of the individuals in the organization. According to Glantz (2002) there is need for a manager to find his organizational leadership style. Effective organizational leadership is seen as a potent source of management development and sustained competitive advantage for organizational tendering process performance. It seeks to make use of understanding staff's individual strengths, development needs and aspirations plans delegation activities and delegate in order to develop staff in line with business priorities. This therefore encourages employees to participate in the process of change and understanding the effects of organizational leadership and performance which is very important for the growth and development of an organization.

Transactional leadership in organizational leadership helps organizations achieve their current objectives more efficiently by linking tendering process performance to valued rewards and by ensuring that employees have the resources needed to get the job done by clearly showing the concept of organizational leadership and support and will adopt principles

confidently while encouraging ability to effectively plan use of time, and to react to change in a flexible way hence enabling effectiveness to prioritize workload and identify the skills required within the team to deliver to the needs of the business plan (Rowe, 2001). Organizations seek efficient ways to enable them outperform others; a longstanding approach is to focus on the effects of leadership. Team leaders are believed to play a pivotal role in shaping collective norms, helping teams cope with their environments, and coordinating collective action. This leader-centered perspective has provided valuable insights into the relationship between organizational leadership and team performance. Visionary leaders create a strategic vision of some future state, communicate that vision through framing and use of metaphor, model the vision by acting consistently, and build commitment towards the vision visionary leadership will result in high levels of cohesion, commitment, trust, motivation, and hence performance in the new organizational environments (Watson, 2006).

According to Keller (2006) organizational leadership styles, culture, skill and competence and motivation are seen increasingly as key sources of strengths in those firms that can combine people and processes and organizational performance lack of knowledge about leadership is one of the commonest reasons behind poor organizational leadership. Unethical habits can play vital role to develop bad leadership. Power trips as well as narcissism are also two key factors, which may give rise to bad leadership however, leadership integrity also have the following impacts in procurement; It is a reflection of respect for those who 'take part' in procuring. It ensures no unreasonable, unsafe or thoughtless demands are made by practitioners. It ensures sufficient knowledge is shared by all concerned .It imposes a common standard in all the above respects. It has become the norm as an expectation for procurement activities, a professional requirement for practitioners in some disciplines like health. The reasons might be anyone of those, but the impact of bad leadership cannot easily be reversed. Those effects will be far reaching and even can be long lasting as well. Even some cannot be understood after cutting off the power of leaders. Autocratic leaders can give rise to significant damage to the organization. To avoid the worst effects of bad leadership, leaders should be not being chosen without precision (Leon, 2006)The driving force for the achievement of organizational goals and objectives is maintenance of effective organizational leadership. And to become effective means that the targets of such organization have been met. Effective leadership style has been viewed as a style adopted by top management of an organization which relates to various aspects of positive organizational outcomes. The degree of effectiveness of organizational leadership is usually measured by the effect of leaders on their employees' behaviors. An effective organizational leadership is one which has the skills and the aptitude to influence its subordinates, ideally resulting in positive outcome of employee trust, retention and productivity. Leaders who provide effective management exhibit the behaviors of self- sacrifice to their subordinates by demonstrating the willingness to serve; these leaders have a profound impact on people. Other traits in effective leaders include engagement, trust, effective communication, stress management, and interrelationships with employees (Malcom, 2008).According to Cole (2007) organizational leadership traits depends not only on his characteristics and personal abilities, but also on the characteristics of the situation and environment in which he finds himself. Leadership is an enhancement of knowledge which acts not only as a motivator to the employees but also a good environment for working and boosting employee's confidence. Organizational leadership is a phenomenon that has been in existence for many years and it has always been fruitful in adopting procurement effectiveness. However, it can be noted that maintenance of leadership improves procurement functions this will later lead to increase of productivity of the organization.

Cross Functional Integration:

Cross-functional integration is a group of people with different functional expertise working toward a common goal. It may include people from finance, marketing, operations, and human resources departments. Typically, it includes employees from all levels of an organization. Members may also come from outside an organization in particular, from suppliers, key customers, or consultants. Cross-functional integration often functions as self-directed integration assigned to a specific task which calls for the input and expertise of numerous departments. Assigning a task to a team composed of multi-disciplinary individuals increases the level of creativity and out of the box thinking. Each member offers an alternative perspective to the problem and potential solution to the task. In business today, innovation is a leading competitive advantage and cross-functional integration promotes innovation through a creative collaboration process. Members of a cross-functional integration must be well versed in multi-tasking as they are simultaneously responsible for their cross-functional integration duties as well as their normal day-to-day work tasks (Max, 2007).According to Ritzman (2005) cross-functional integration is cooperative or competitive in nature and organization's functional areas are often

forced to compete and cooperate simultaneously with one another this is critical to understand how these complex relationships interplay and affect firm performance. Decision making within a team may depend on consensus, but often is led by a manager/coach/team leader. Leadership can be a significant challenge with cross-functional integration. Leaders are charged with the task of directing team members of various disciplines. They must transform different variations of input into one cohesive final output. Cross-functional integration can be likened to the board of directors of a company. A group of qualified individuals of various backgrounds and disciplines are assembled to collaborate in an efficient manner in order to better the organization or solve a problem.

The growth of self-directed cross-functional integration has influenced decision-making processes and organizational structures. Although management theory likes to propound that every type of organizational structure needs to make strategic, tactical, and operational decisions, new procedures have started to emerge that work best with teams. Up until recently, decision making flowed in one direction. Overall corporate-level objectives drove strategic business unit (SBU) objectives, and these in turn, drove functional level objectives. Today, organizations have flatter structures, companies diversify less, and functional departments have started to become less well-defined. The rise of self-directed teams reflects these trends. Intra-team dynamics tend to become multi-directional rather than hierarchical. Interactive processes encourage consensus within integration. Also the directives given to the team tend to become more general and less prescribed (Sally, 2006). Cross-functional integration requires a wide range of information to reach their decisions. It needs to draw on information from all parts of an organization's information base. This includes information from all functional departments. System integration becomes important because it makes all information accessible through a single interface. An inherent benefit of a cross-functional team is the breadth of knowledge brought to the group by each member. Each team member is a representative of a department and therefore can leverage their familiarity with accessing and providing knowledge of that department for the team. This increases the efficiency of a cross-functional team by reducing time spent gathering information (Peter, 2003).

According to Peter (2003) cross-functional integration requires information from all levels of management. Integration may have its origins in the perceived need to make primarily strategic decisions, tactical decisions, or operational decisions, but it requires all three types of information. Almost all self-directed integration will need information traditionally used in strategic, tactical, and operational decisions. For example, new product development traditionally ranks as a tactical procedure. It gets strategic direction from top management, and uses operational departments like engineering and marketing to perform its task. But a new product development team would consist of people from the operational departments and often someone from top management. In many cases, the team would make unstructured strategic decisions such as what markets to compete in, what new production technologies to invest in, and what return on investment to require; tactical decisions like whether to build a prototype, whether to concept-test, whether to test-market, and how much to produce; and structured operational decisions like production scheduling, inventory purchases, and media lightings. In other cases, the team would confine itself to tactical and operational decisions. In either case it would need information associated with all three levels (Davis, 2005).

Cross-functional integration consists of employees from different parts of an organization. Information must be made understandable to all users. Not only engineers use technical data, and not only accountants use financial data, and not only human resources personnel use HR data. Modern organizations lack middle managers to combine, sort, and prioritize the data. Technical, financial, marketing, and all other types of information must come in a form that all members of a cross-functional team can understand. This involves reducing the amount of specialized jargon, sorting information based on importance, hiding complex statistical procedures from the users, giving interpretations of results, and providing clear explanations of difficult. Data visualization systems can present complex results in an intuitive manner (Parcorn, 2006). Cross-functional integration affects procurement effectiveness because it affords the organization mechanism with which to reduce external and internal uncertainty. Firms with low integration systems are rigid and those with lesser formal procedures are "organic" in that they have less formalization which helps developing rapid awareness and response to competitive and market change and more effective information sharing with reduced time-lag between decision making and action. In other words, where there are low formal procedures with informed decision making process like procurement effectiveness is likely to be absorbed at a higher rate as opposed to firms with long chain of command and rigid cross-functional integration system (Miles & Snow, 2007).

Critique of Existing Literature:

According to Cole (2007) organizational leadership traits depends not only on his characteristics and personal abilities, but also on the characteristics of the situation and environment in which he finds himself. Leadership is an enhancement of knowledge which acts not only as a motivator to the employees but also a good environment for working and boosting employee's confidence. However, unethical habits can play vital role in developing bad leadership. Power trips as well as narcissism are also two key factors, which may give rise to bad leadership. It ensures no unreasonable, unsafe or thoughtless demands are made by practitioners.

According to Caleb (2003) in order to attain organizational objectives, it is very important to ensure effective budgetary allocation. This however can be increased by poor procurement effectiveness in planning which sometimes leads to lack of attainment of organizational goals and objectives. The last decade of the twentieth century has witnessed the start of the global evolution of budgetary processes. However, budgetary allocation is still very wanting in terms of transparency and accountability which has for years lead to loss of funds through corrupt dealings of public officers, even though policy measures have been put in place to govern this corruption still proves to be a major problem during budgetary allocation in parastatals.

According to Nelly (2003) poor relationship with suppliers in a firm leads high loses of resources due to lack of better atmosphere for understanding "it does not commits resources simultaneously impacting such activities as product design collaboration, delivery scheduling, and production planning and product quality", as quoted by. This is the major problem in procurement function that can be experienced by a production industry which can prove to be much costly in the long run. However, it can be noted from the above studies that the strengths of supplier relationship management is building trust between each other, which in turn enables easy sharing of information and even the seller offering credit services to the buyer, though it is attached to its weaknesses too e.g. managing these relationships is still wanting in an organization e.g. sometimes the trust becomes much until the suppliers tend to bribe buyers in order to acquire a tender, hence increasing corruption.

Summary:

This chapter explicitly dealt with a review of literature. In particular the chapter concentrated on theoretical framework, conceptual framework, and factors affecting the effectiveness of procurement function in government parastatals in supplier relationship management, budgetary allocation, cross-functional integration and organizational leadership. Furthermore it also helped in clearly identifying the gaps that should were researched on, in order to improve the efficiency of procurement function in government parastatals.

Research Gaps:

There were actually major gaps in the scholarly area of the factors affecting the effectiveness of procurement function in government parastatal leading to redundant loss and reduction of the inadequate organization resources (Paul, 2010). However, for years no decisive study had been carried out to compute the extent of the factors affecting the effectiveness of procurement function in government parastatal in Kenya break down and the significant wastage of resources. Efficient procurement function is defined as the purchase of commodities and contracting of constructional works and services, if such acquisition is affected by resources from state budget, local authorities' budgets, state foundation funds, domestic and foreign loans guaranteed by the state, foreign aid as well as the revenue received from the economic activity of the state. Effective implementation of efficient procurement functions has been faced by numerous challenges (Williams, 2000).

According to Boyd (2006) most of the countries especially the third world countries are usually faced with some challenges while undertaking their procurement functions. This leads to ineffectiveness and low performance in most organizations for instance; procurement officials have been tempted and fallen in the trap of corruption putting their integrity and trust in question. This study has an effort to plug this gap and to aggravate more critical thinking and research in the area of the factors affecting the effectiveness of procurement function. The study sought to generate interest among public policy makers to come up with a manual or revise existing policies on factors affecting the efficiency of procurement function for all public officers, and additional so those charged with the responsibility of

implementing the factors affecting the effectiveness of procurement function in government parastatals. The researcher intended to bridge these evident research gaps.

3. RESEARCH METHODOLOGY

Introduction:

This chapter of the study provided the procedures that were used in carrying out this research. It dealt with research design, population of study, sampling frame, sample and sampling techniques, data collection procedure and data analysis.

Research Design:

According to Kothari (2004) research design is the arrangement of conditions for collections and analysis of data in a manner that aims to combine relevance to the research, purpose with economy procured. Descriptive research design is the means of collecting and analyzing data in order to answer research questions (Mugenda&Mugenda, 2003). The research designs that was appropriate for the study was descriptive research design.

Target Population:

According to Mugenda & Mugenda (2003) population refers to a sum total of individual with requisite information being sought by the researcher. Target population represents all cases of people or organizations which possess certain characteristics; it is the larger group from which a sample is taken (Kothari, 2004). The target population included employees from KPLC and comprised of 100 employees.

Sampling Frame:

A sampling frame describes a list of all population from which a sample is selected (Kothari, 2004). It is a list of all those people or items within a population that can be sampled. Kenya Power and Lighting had several departments with a large number of employees, therefore it will be impossible to issue questionnaires to all the staff in those departments. The researcher therefore used a sample size of respondents in procurement, stores and logistics departments in representing the entire population. The total number of sampling frame was (40) employees that were drawn from three departments which included logistics (10), procurement (15) and stores (15).

Sample and Sampling Technique:

According to Mugenda & Mugenda (2004) defines a sample from given population as a procedure the researcher will adopt in selecting items for the same design may as well laying down the number of items to be included in the sample. There were about 100 employees in KPLC headquarters but this study only selected a sample of 40 employees 40% of the target population (Gay and Airasian (2003). This researcher used stratified random sampling technique. According to Kothari (2004) stratified random sampling technique involves dividing the population into homogenous subgroups and then taking sample in each subgroup. The sample was selected in such way that certain subgroups in the population were represented in proportion to their number in the population. The main respondents were stratified on the basis of their departments which included procurement (6), stores (8) and logistics (6).

Table 3.1 Sampling Frame and Sample Size

Departments	Sampling Frame		Sample Size
Procurement	15		6
Stores	15		8
Logistics	10		6
Total	40		20

Source: (Kenya power, 2017)

Research Instruments:

The researcher used questionnaires to collect primary data. A questionnaire is research instrument consisting of a series of questions and other prompts for purpose of gathering information from respondents (Kothari, 2004). The researcher

issued the questionnaires to staff in the selected departments. This instrument was used due to its suitability of having an ample time for the staff concerned to adequately fill the questionnaire form.

Data Collection Procedure:

The researcher first sought permission from the management through an official written consent letter. Thereafter data was collected using questionnaire which was expected to give accurate information. Questionnaires were hand delivered and due to time constrain and collected as agreed. The questionnaire had both semi-structured questions which assured relevance, in depth response and accuracy. An open ended question was used because it was able to give insight into their feelings, background, hidden motivation, interest and decisions.

Pilot study:

The reliability and validity of each instrument was ascertained through a discussion with several students pursuing their master's degree and were in the process of writing their projects. The researcher also discussed the drafts with the supervisor and made necessary adjustments to the research instrument before conducting a pilot study that was undertaken at Kenya Postal Corporation located in Eldoret town in order to identify elements of study population and unit of analysis. During the pilot study, draft questions were pre-tested to ensure a high degree precision. On the other hand, questions which did not yield good results were reviewed. All the units of analysis were comprehensively studied and whole population was taken into account.

Data Processing and Analysis:

According to Kothari (2004) data processing is the collection and manipulation of items of data to produce meaningful information. Data analysis is a process of gathering, modelling and transformation data with the goal of highlighting useful information, suggesting conclusions and supporting decision making hence preparing crude data into interpretable designs (Kothari, 2004). Therefore, all data that obtained from the research was analyzed using descriptive statistics (frequency and percentages), presented and tabulated on the basis of various objectives and variables that measured them. It was presented and analyzed in terms of tables, charts and graphs to facilitate on the description and explanation of the study findings.

4. RESEARCH FINDINGS AND DISCUSSIONS

Introduction:

This chapter is about data analysis, presentation and interpretation of collected information from the field. The information collected has been presented in table, graphs and charts format. The information analyzed was interpreted in relation to the research objectives to ensure that it provided answers to the research questions.

Response Rate

Table: 4.1 Response Rate

Response	Frequency	Percentage
Actual Response	20	100%
Non response	0	0%
Total	20	100%

Out of the 20 copies of questionnaires that were administered to the staffs, 20 were responded thus recording 100% rate which was adequate for the analysis. In this respect 20 constitute 100% as far as the number of respondent is concerned. It can be concluded that the response rate was very high and the employees were so willing to provide information that was required by the researcher.

Demographic Information:

The researcher so it fit to know about the respondents being questioned and how valid and reliable their information would be. Some of the items included their departments, number of years of service and their level of education in Kenya Power and Lighting Company.

Years of Service:

The researcher sought to assess for how long the respondents had worked in Kenya Power and Lighting Company, and felt that this will also help in clearly showing the rate it hires and fires its employees.

Table 4.2 Years of Service

Years of Service	Frequency	Percentage
Less than 5 years	7	35%
5 - 10 years	10	50%
11 - 20 years	3	15%
Total	20	100%

Table 4.2 reveals that 7% of the respondents indicated that they had worked for less than 5 years, 50% indicated that they had worked in between 5-10 years while lowest percentage of 15% indicated that they have worked between 11-20 years. It can be noted that the majority of employees have worked between 5-20 years. This shows that the Kenya Power and Lighting Company retains its employees, however this indicates that the firm does not easily fires its employees but their hiring rate is very since for the last five years it has hired 35% employees compared to those who have worked between 5-20 years comprising 65%.

Level of Education:

Education level is a very essential element in a firm in order to ensure maximum productivity in that employees get to understand what decisions they need to make, the researcher sought to find out the level of education of Kenya Power and Lighting Company staffs.

Table: 4.3 Level of Education

Qualification	Frequency	Percentage
Master degree	2	10%
Bachelor's degree	6	30%
Diploma	12	60%
Total	20	100%

Table 4.3 shows that a smaller percentage of 10% of the respondents are master's degree holders followed by bachelor's degree holders of 30% while the largest are diploma holders which comprises of 60%. The results showed that majority of the respondents were well educated. This implies that most of the respondents in the organization do understand the kind of work needed from them by the organization, it also helps in assuring efficiency and productivity.

Respondents Department:

The researcher sought to find out how employees were distributed on their respective departments.

Table 4.4 Respondents Department

Departments	Frequency	Percentage
Procurement	7	35%
Stores	6	30%
Logistics	7	35%
Total	20	100%

The results from table 4.4 revealed that 35% of the respondents indicated that they work in procurement department 30% indicated that they work in stores department while 35% indicated that they work in logistics department, the findings shows the employees are evenly distributed in their respective departments.

Supplier Relationship Management:

The first objective of the study was to establish how supplier relationship management affects effectiveness of procurement function in Kenya Power and Lighting Company. The respondents were therefore presented with open ended

statements which included major elements of supplier relationship management such as such as partnership has high role in reducing lead-time, collaborative relationship enhances mutual trust and cooperative relationship, effective partnership enhances service delivery, collaborative relationship enhances reduction of cost and joint value analysis programmes has a role in increasing flexibility and efficiency. The findings of the study are discussed below as explored by the questionnaires that were issued to the respondents.

Effects of Supplier Relationship Management on Effectiveness of Procurement Function

Table: 4.5 Effects of Supplier Relationship Management on Effectiveness of Procurement Function

STATEMENTS		SA	A	NA/D	D	SD	Total
Partnership has high role in reducing lead-time	Frequency	11	9	0	0	0	20
	%	55	45	0.00	0.00	0.00	100
Collaborative relationship enhances mutual trust and cooperative relationship	Frequency	10	10	0	0	0	20
	%	50	50	0.00	0.00	0.00	100
Effective partnership enhances service delivery	Frequency	12	8	0	0	0	20
	%	60	40	0.00	0.00	0.00	100
Collaborative relationship enhances reduction of cost	Frequency	13	7	0	0	0	20
	%	65	35	0.00	0.00	0.00	100
Joint value analysis programmes has a role in increasing flexibility and efficiency	Frequency	5	15	0	0	0	20
	%	25	75	0.00	0.00	0.00	100

SA – Strongly Agree A – Agree NA/D – Neither Agree nor Disagree D – Disagree SD – Strongly Disagree

The respondents' views on how supplier relationship management affects effectiveness of procurement function in Kenya Power and Lighting Company varied according to table 4.5 above: For the case of partnership has high role in reducing lead-time, 55% strongly agree and 45% agreed. For the case of collaborative relationship enhances mutual trust and cooperative relationship, 50% strongly agree and 50% agreed none disagreed or strongly disagreed. For the case of effective partnership enhances service delivery, 60% strongly agreed and 40% agreed. For the case of collaborative relationship enhances reduction of cost, 65% strongly agreed and 35% agreed and for the case of joint value analysis programmes has a role in increasing flexibility and efficiency, 25% strongly agreed and 75% agreed none was neutral. From the findings in table 4.5 above it can be noted that majority of the respondents strongly agreed that supplier relationship management enhances the effectiveness of procurement function for example partnership which has high role in reducing lead-time and collaborative relationship which enhances reduction of cost were strongly supported by the respondents.

This can be related with the findings of Christopher (2011) Supplier relationship management is a process that looks at proactively managing the link between buyer and supplier. It is a mutually beneficial process that works in two ways and should improve the performance of both. A relationship is defined, inter alia, as connection of association. Relationships apply when individuals, organizations and groups within and external to an enterprise interact. The origin of the relationship approach to understanding buyer-seller interaction at different parts of the supply chain goes back several decades when the conventional marketing mix paradigm began to be challenged. As currently used, relationship marketing is described as a long-term strategy in which the emphasis is on building and maintaining long-term relationships with customers, rather than on one sale at a time approach. There is a trend towards buyers seeking to reduce their supplier base in many industries the practice of partnership sourcing is widespread and benefits of such practices include improved quality, innovation sharing, reduced costs and integrated scheduling of production and deliveries.

Efficiency of Supplier Relationship Management on Effectiveness of Procurement Function:

The study also sought to find out how supplier relationship management contributes to the effectiveness of procurement function in Kenya Power and Lighting Company. The findings were as shown in the figure 4.1 below:

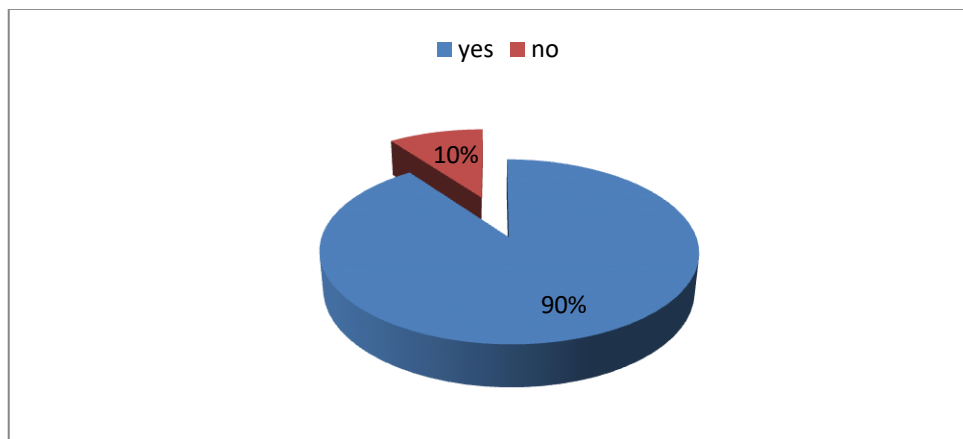


Figure 4.1 Efficiency of Supplier Relationship Management on Effectiveness of Procurement Function

According to the findings on figure 4.1 above it clearly shows that majority of respondents 90% indicated that supplier relationship management contributes to the effectiveness of procurement function in Kenya Power and Lighting Company, they even indicated that supplier relationship management enhances joint value analysis programmes which has a role in increasing flexibility and efficiency of supply chain management unit however, a very few percentage of 10% do not agree with the research question they indicated that the organization does not fully encourage supplier relationship management, they even indicated that the organization continuously changes its suppliers due to the corrupt dealings with suppliers who lure procurement officers with bribes which they in turn get contracts through illegal dealings, this has however, led to continuous changing of suppliers hence limiting the organization from benefits that is associated with effective supplier relationship management. This has led to the underperformance of the organization in the long term.

This can be related with the findings of Nelly (2003) poor relationship with suppliers in a firm leads high loses of resources due to lack of better atmosphere for understanding "it does not commits resources simultaneously impacting such activities as product design collaboration, delivery scheduling, and production planning and product quality", as quoted by. This is the major problem in procurement function that can be experienced by a production industry which can prove to be much costly in the long run. This is whereby the involvement in the effective procurement management and administration is very sustainable in relevance to a long-term relationship criterion. For example, previously not ensuring properly incorporated current issues like the closeness of the relationship and continuous improvement capabilities that are now considered to be relevant in managing and controlling procurement effectiveness.

5. SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

Introductions:

This chapter deals with the summaries, conclusions derived from the study findings, areas for further research and finally come up with recommendations based on the findings of the research study. The general objective of this study was to establish the factors affecting the effectiveness of procurement function in Kenya Power and Lighting Company.

Summary of the findings:

The general objective of this study was to establish the factors affecting the effectiveness of procurement function in Kenyan parastatal with specific reference to Kenya Power and Lighting Company. Those that responded to the study were 20 staffs from the selected departments which formed 100% of those respondents of the actual number used for the analysis.

Effects of Supplier Relationship Management on Effectiveness of Procurement Function:

The general observation made according to the findings shows that that majority of the respondents strongly agreed that supplier relationship management enhances the effectiveness of procurement function for example partnership which has high role in reducing lead-time and collaborative relationship which enhances reduction of cost were strongly supported

by the respondents. This can be seen has a development to the firm which in the long run it normally translates in increase in productivity rate hence, increasing its revenue income and enhances competition in Kenyan parastatal and allows day to day innovation of new techniques.

Conclusions:

According to research question one which sought to find out how supplier relationship management contributes to the effectiveness of procurement function in Kenya Power and Lighting Company. It can be concluded that supplier relationship management contributes to the effectiveness of procurement function in Kenya Power and Lighting Company, they even indicated that supplier relationship management enhances joint value analysis programmes which has a role in increasing flexibility and efficiency of supply chain management unit however, a very few do not agree and they indicated that the organization does not fully encourage supplier relationship management, they even indicated that the organization continuously changes its suppliers due to the corrupt dealings with suppliers who lure procurement officers with bribes which they in turn get contracts through illegal dealings, this has however, led to continuous changing of suppliers hence limiting the organization from benefits that is associated with effective supplier relationship management. This has led to the underperformance of the organization in the long term.

The study established indicated that the organization does not fully encourage supplier relationship management, they even indicated that the organization continuously changes its suppliers due to the corrupt dealings with suppliers who lure procurement officers with bribes which they in turn get contracts through illegal dealings, this has however, led to continuous changing of suppliers; however, the study recommends that the management should come up with effective policy framework and regulations that can be used against those procurement officers who indulge in corruption practices with the suppliers.

Suggestions for Area of further Research:

This study looked at four independent variables and established that budgetary allocation and organization structure contributes up to 65% while organizational leadership and cross functional integration up to 35% on effectiveness of procurement function in Kenya Power and Lighting Company. However, from the above views the researcher feels that more research should be carried out on organizational leadership but majorly on cross functional integration since these some of the major elements that affecting effectiveness of procurement function in Kenyan parastatal.

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