

INFLUENCE OF PROCUREMENT PRACTICES ON PERFORMANCE IN PRIVATE UNIVERSITIES IN KENYA: A CASE OF MARIST INTERNATIONAL UNIVERSITY

¹BIBIANA SHISANYA, ²DR. JANE OMWENGA

Abstract: Nowadays, procurement teams are facing increasing number of complex challenges in planning, monitoring and controlling of their activities in many organizations especially in private Universities in Kenya. In this study the researcher sought to examine the role of procurement practices on performance in private university in Kenya. With specific objectives which were to assess the role of procurement planning, procurement monitoring and controls, training of staff in procurement practices and finally contract management on the performance in private university in Kenya. The population for this study consisted of the employees of Marist International University in Kenya. The total target population was 78. A total of 78 respondents was used as the sample size for the study. To sample the population, the population was divided into three strata, namely; management staff, teaching staff and non-teaching staff. From each stratum the study used the census method to reach to the entire population of the study. The researcher administered the questionnaire to each respondent, and the return of questionnaire was 100%. The data was collected then simultaneously analyzed by both descriptive and inferential a statistical tool that is SPSS Version 2.1. Being that the current study was dealing with the relationship study between the role and performance, the study automatically was therefore qualified to use regression and correlation model as a tool of analysis and the results was generated and presented in form of tables. From the research findings, it was found that top management were involved in the procurement planning and continuously check the purchase processes and that procurement bids are evaluated by an independent committee. The study also found that procurement is monitored to a moderate extent through close supervision of purchases being done as a way of controlling costs and corrective actions being taken once discrepancy is identified in the procurement processes. The university was further found to train their staff on procurement practices with the aim of improving performance to a moderate extent. In addition, training in practices of procurement had improved staff knowledge and skills. However, the challenges in the adoption and implementation of practices at the university were found to be: delays in procurement of urgently required goods/services due to restrictions by public procurement and disposal regulations, existence of inadequate planning by user departments, complex regulations being affected by the public procurement act, procurement costs being high, and department facing problem of interference by university management in the procurement processes. The study concludes that Marist International University has adopted the procurement practices to a moderate extent and that there is a relationship between the practices of procurement and organizational performance. However, only procurement planning and training of staff influences the performance of the university. The study recommends that the key procurement actors in the university should come up with viable ways of managing procurement process. To ensure better performance, organizations should not only focus on planning and training but also on the procurement inventory, control and monitoring. Critical revitalization of procurement process is a requirement as it can assist in ensuring that organizations embrace modern technological ways and trends in handling and addressing procurement issues.

Keywords: Procurement, Procurement practices, Procurement Planning and Contract Management Process.

1. INTRODUCTION

According to Mena, Van and Christopher (2018), procurement practices are key functions in the public sector as well as in private sector, since procurement process is generally a critical part of open spending in organizations. Carr and Smeltzer (1997) states that procurement practices comprise of the actions taken by the purchasing organization to navigate and integrate its performance in order to increase productivity by reducing cost and time. Procurement is the practice of selecting suppliers, strategic vetting, setting up payment terms, selection, and negotiation of contracts and actual purchasing of goods (Weele, 2010). Lim (2014) describes procurement as a process which entails acquiring (procuring) goods, services and work that is vital to an organization. Worldwide, public procurement has become an issue of concern and debate, and has been subjected to reforms, restructuring, rules and regulations (Kabega, Kule & Mbera, 2016). The linkage of procurement to organizational performance in particular, makes the embracing of best practices important to present organizational success. Procurement is found to be practiced in many industries around the world (Hussein & Shale, 2014).

Statement of the Problem:

Procurement is deemed to be part of principles of management of plans that focus on effective achievement of performance efficient in most of private and public institutions as well as growth of the nation. In practice, when procurement process is well planned and implemented, it can act as an economic instrument for guaranteeing national development (Keith et. al, 2016). Many of the third world countries are challenged by dynamic procurement revolution and this gives them difficulty on the functioning of procurement and performance together with the inside and outside dealings (Wambui, 2013). The procurement practices are fragile and predisposed to regular discontinuities (Jeppesen, 2010).

Karanja and Kiare (2015) indicates that the vulnerabilities in the public and private sector evidenced in the erratic shedding and re-employment of staff when faced with downstream and upstream linkage discontinuities, affect organizational performance. Jibrin, Ejura and Augustine (2014) noted that the major problem in the current procurement industry is not on the limited regulation models but because of noncompliance and pitiable execution process. Regardless of the effort by the private and public institutions in Kenya to improve performance of the procurement function, poor implementation and non-compliance to procurement regulations still pose as key challenges (Hussein & Shale, 2014). They are burdened with delays and occasional inability to deliver the goods to the designated organizations (World Bank, 2010). This problem has precipitated to a decline of procurement/supply performance of enormous public organizations (Schiele, Horn & Vos, 2011).

With the present estimated spending of about 70% in purchasing and the importance of functions of procurement in contribution of profitability of a firm by over 25%, it will be essential for institutions to come up with a decision on how practices of procurement could assist in meeting organizations goals (Jibrin et al, 2014). There are various studies conducted on the topic of procurement and its relation to organizational performance which have given different findings. For instance, Nantage (2011) found out that strategic procurement management has a direct impact on the financial performance of Banks in Uganda. It is necessary to carry out similar study in a different setting and find out if the same suggestion holds in the Kenyan private institutions specifically, Marist International University. A study on strategic procurement practices and procurement performance among commercial banks in Kenya by Masiko (2013) suggested that the current practices of procurement needed revision as well as strengthening to consequently improve performance of procurement in the commercial banks. However, it is crucial to find out the existing procurement practices among the Kenyan private universities with focus on Marist International University. Several researches have been carried out on procurement practices and organizational performance. However, most of them were done in different countries focus on different aspects other than procurement practices and organizational performance. In addition, it was evidenced from this studies that the procurement process still fail in many public and private entities. Therefore, the aim of this study was to fill this knowledge gap in literature guided by the following research question: What effect does procurement practices have on organizational performance of the Marist International University.

Objectives:

- i. To establish the role of procurement planning on the performance in Marist International University
- ii. To determine the role of procurement monitoring and controls on the performance in Marist International University
- iii. To examine the role of staff training in procurement practices on the performance in Marist International University
- iv. To establish the role of contract management on the performance in Marist International University

2. THEORETICAL REVIEW

Principal-Agency Theory:

The Principal-Agency Theory is the underpinning theory used to establish the framework for this study of the role of procurement planning on operational performance. Health and Norman, (2004), the Principal-Agent Theory is an agency model developed by economists that deals with situations in which the principal is in position to induce the agent, to perform some task in the principal's interest, but not necessarily the agent's. However, several studies by Eisenhardt 1988, Bergen et al. (1992), Rokkan and Buvik (2003) and Macabre and Waiganjo (2014) have contributed to the literature on principal agent theory.

The Institutional Theory:

Institutional theory describes the effects of external institutional pressures on organizations and defines institutions as regulatory structures, government agencies, laws, courts, and professions, as well as interest groups and public opinion (Lowell, 1994). The rules and norms set out by the institutions in an environment are endorsed by various actors. When speaking of actors and institutional environment in this research project, reference is made to the norms represented by the actors in the environment and the pressure that these norms exert on other actors in the environment. A strength attributed to institutional theory is its ability to explain non-choice behavior of organizations how they conform to norms without questioning them and undertaking public function (Lowell, 1994).

MacNeil's Relational Contracts Theory:

Macneil's writings before 1968 centered on the specific problems specifically the deficiency of reality of the agreement secured by the rules of approval, agreement of remedies and hire purchase through which traditional law of contract was acutely manifested (Macneil, 1968). The limited extent to which it is possible for folks to consent to all conditions of purchase even a relatively simple and incredibly discrete one soon faces the development of legal fictions expanding the scope of consent significantly beyond anything remotely near to what the parties thought of. This is the greatest aim theory of contract. (Macneil, 1978).

Conceptual Framework:

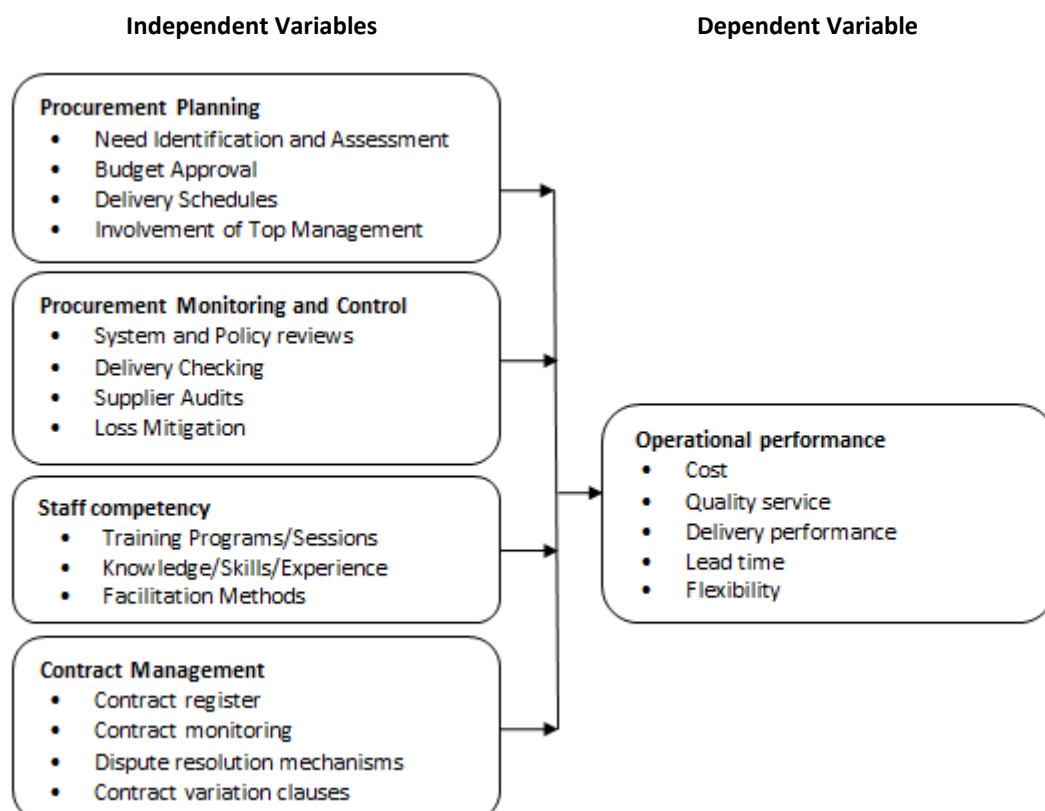


Figure 2.1: Conceptual Framework

Critique of Existing Literature relevant to the Study:

When it comes to the study of general procurement practices, there exist a number of studies in Kenya. However, there is limited research in the area of procurement practices and in particular with respect to its role on the performance of private institution. Chalton (2014) conducted a research on the challenges of implementing procurement policies in state corporations in Kenya, Nyaboke et al. (2013) also conducted a research on the effects of public procurement policies on organizational performance which focused on the water sector, while Obiero (2008), did a study on the challenges in the implementation of the Public Procurement & Disposal Act 2005 in the Ministry of Higher Education, Science and Technology in Kenya.

As opposed to the above studies, the current study sought to establish the role of procurement practices as the major factor on operational performance in private institution with specific interest in private university as case study of Marist International University that is crucial to the Kenyan economy.

In reference to Hassan (2012), a study carried out on the influence of strategic planning on the performance of humanitarian Enterprises, it was concluded that procurement planning has a direct influence on the performance of humanitarian organization in delivery of relief and emergency services. As opposed to Hassan (2012), who was concerned with procurement planning in non-governmental sector, this study will bring out the role of procurement planning as procurement practices on the performance of private institution in Kenya. Further, it will be prudent to expand the study and cover other sectors of the Kenyan economy. This research therefore seeks to bridge the research gaps by trying to relate strategies and the procurement performance of private institutions in Kenya.

Omosa (2005) studied procurement performance measurement systems using the survey design on large manufacturing companies in Nairobi. What would appear to be lacking from the literature is work on procurement's influence on the performance of public enterprises in Kenyan government. On the other hand Nantage (2011) asserts that strategic procurement management has a direct influence on the financial performance of Companies in Uganda. While the findings leave no doubt, it is critical to replicate the study in a different setting and find out if the same recommendation holds among the private institutions in Kenya.

A study carried out by Wogube (2011) in Sironka Town Uganda on the link between procurement planning and financial performance indicates that proper procurement planning has a positive correlation with financial performance. As opposed to Wogube (2011), the current study treated procurement as a tool for planning and will encompass the effect it has on the overall performance of the organization including but not limited to financial and personnel performance.

Adu (2011) carried a study on the influence of procurement act on financial management in Ashanti region Ghana, revealed that adherence to the procurement act has reduced government expenditure drastically through reducing wastage and leakages of resources through effecting auditing, budgetary control, expenditure monitoring, cost effectiveness and value for money. However, the researcher did not attribute the findings to strategic procurement in Enterprises. From the current study, the researcher shall examine the overall role of procurement on operational performance and asses the linkage it has to specific functional performances.

In related studies on tools of measuring procurement performance as a function in Uganda, Kakwezi and Nyeko (2010) established that procurement performance could be measured using financial and nonfinancial measures. However, what would appear to be lacking from the literature is the work on procurement's strategic role on organizational performance in public entities. The current study goes further by not only looking at the influence of procurement on the organization but also its contribution as a strategic function in an organization.

In conclusion, whereas most studies have been done on the factors responsible for procurement performance as a function, the current study is on the roles of procurement practices on operational performance in private institution in Kenya. This study is therefore, designed to show whether specific roles of procurement practices are key determinants of performance in private institutions in Kenya.

Research Gaps:

A study by Kabega, Kule and Mbera (2016) on effect of procurement practices on performance of public projects in Rwanda found that there was significant relationship between public procurement planning and performance and that the positive organizational performance in Rwanda was attributed by proper public procurement planning. Despite this study

investigating practices such as procurement planning, tendering system, and contract administration. It did not outline how the institutions should monitor, control, and train their employees.

In addition Makabira and Waiganjo (2014) on their study on the role of procurement practices on performance of Kenya National Police Service in Makueni County found that Procurement practices such as development, controlling, monitoring and training workforce played a great responsibility in the performance within the Kenya National Police Service but the existing procurement practices in this study did not include contract management of which if applied well, can improve organizational performance.

Kiage (2013) in a study on factors affecting procurement performance in the ministry of energy, found out that planning, resource allocation staff competence and contract management positively affected procurement at the ministry of energy. While the current research concurs with this conclusion, however, it opens the bracket and includes such areas, as suppliers, sources and organizational structure. Further, the current research is looking at role of procurement practices on the overall performance of both public and private institution

3. RESEARCH METHODOLOGY

The research design used in this study was descriptive research design. The study adopted a census survey research design. The survey may be qualitative or quantitative. The population of this study consisted of all user department starting from Management Staff, teaching and non-teaching staff of Marist International University College (MIUC). The total population was 78 people. The researcher administered the questionnaire to the entire population 78 respondents through the use of census method. This is because the population is not vast; it is less than 100. This has brought the accuracy and reliability in this study because the researcher reached to each respondent individually. This study used questionnaires to get the necessary information. The researcher used both open-ended and close-ended questionnaires. These are set of questions designed to extract information relating to a survey. In this study reliability ensured that through a piloted questionnaire that was subjected to a sample of 10 staff members that were not included in the study. The 10 staff members were selected from the staff of Tangaza University. The pre-test was conducted using Cronbach's Alpha coefficient reliability. The data was gathered from the pilot study which was subjected to Cranach's Alpha a coefficient of reliability that gives an unbiased estimated of data generalized. The validity of the instrument was established by being given to experts, research assistant with experience and the supervisors who approved the instrument for data collection. The researcher analyzed data using Statistical Package for Social Science (SPSS) version 2.1 and summarized it by use of frequencies, distribution tables, and percentage. The representation of data was done by use of pie charts, bar graphs and frequency tables that helped the researcher to arrive at a descriptively meaningful analysis of the results. The study used multiple regression model to measure the relationship between procurement practices and performance in Marist International University.

Model:

There were five (4) independent variables in this study thus: the multiple regressions used:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where Y was the dependent variable, (performance) β_0 was the regression coefficient while $\beta_1, \beta_2, \beta_3, \beta_4$, and β_5 will be the slopes of the regression equation.

X_1 Procurement planning

X_2 Procurement monitoring and controls

X_3 Staff training practices

X_4 Contract management practices

ε Is an error term distributed about a mean of 0 and for purposes of computation, is assumed to be 0.

4. REGRESSION RESULTS

Results in Table 4.1 shows that there was a positive and significant relationship between role of procurement planning practices and organizational performance ($\beta = 1.06$, p value < 0.05). This implies that a unit change in role of procurement planning practices increases organizational performance by 1.02 units. Secondly, there was a positive and significant relationship between role of procurement monitoring and controls practices and organizational performance ($\beta = 1.06$, p value < 0.05). This implies that a unit change in role of procurement monitoring and controls practices increases organizational performance by 1.06 units.

Thirdly, there was a positive and significant relationship between role of the staff training in procurement practices and organizational performance ($\beta = 0.41$, p value <0.05). This implies that a unit change in staff training in procurement practices increases organizational performance by 0.41 units. Finally, there was a positive and significant relationship between role of contract management practices and organizational performance ($\beta = 0.71$, p- value < 0.05). This implies that a unit change in role of contract management practices increases organizational performance by 0.71 units.

Table 4.1: Regression Coefficients for the Overall Model

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	0.418	0.16		30.39	0.00
Procurement planning,	1.06	0.16	0.32	6.60	0.00
Procurement monitoring and controls,	1.02	0.16	0.31	6.35	0.00
Staff training in procurement practices,	0.41	0.18	0.11	2.28	0.01
Contract management practices	0.71	0.16	0.22	4.42	0.00

5. CONCLUSION

Based on the findings the study concludes that the Marist International University has adopted the procurement practices to a moderate extent and that there is a relationship between the practices of procurement and organizational performance. Practices of procurement which are

followed by Marist International University include: procurement, monitoring, procurement controls, procurement planning, and training workforce. However, only procurement planning and training of staff was found to influence the performance of the university. The application of the practices of procurement in the organization is founded on proper planning. Through proper procurement planning, a firm can be sure of increasing its performance level in form of productivity, cost cutting, quality of goods and services delivered as well as deliveries being made on time. Training on the modern practices of procurement is as well an important recipe in the formation of solid ground which can lead to better performance of an organization. Employees are able to get more knowledge and skills on procurement subject which can enable them have easy time in their daily operations of offering procurement services.

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

6. RECOMMENDATIONS

The study recommends that the organization's management in conjunction with other stakeholders should embrace modern ways in planning and should as well come up with well-tailored training programs on practices of procurement. This study also recommends that the key procurement actors should come up with viable ways of managing procurement process. This involves managing the ordering, receipt, review and approval of items from suppliers. This study further recommends that to ensure better performance, organizations should not only focus on planning and training but also on the procurement inventory, control and monitoring. To oversee contracts from drafting to execution, contract managers need to be skilled in legal compliance, negotiation, and relationship management.

REFERENCES

- [1] Adu-Sarfo, P. (2011). *Assessing the effects of the procurement Act (663) on Public Financial Management in Ashanti Region* (Doctoral dissertation).
- [2] Baily, P., Farmer, D., & Jessop, D. (2005). *Purchasing principles and management*. Pearson Education.
- [3] Banda, E. (2009). *Politics and Economic Consequences*. (1st Ed.). Washington D.C.: Center For Study of Responsive Law
- [4] Berger, A. N. (2007). International comparisons of banking efficiency. *Financial Markets, Institutions & Instruments*, 16(3), 119-144.
- [5] Brown, K. A., & Hyer, N. L. (2010). *Managing projects: a team-based approach*. McGraw-Hill.
- [6] Dong, S., Xu, S. X. & Zhu, K.X. (2009). Information technology in supply chains: the value of IT-enabled resources under competition, *Information Systems Research*, 20 (1), 18-32.
- [7] Fraenkel, J. R., & Wallen, N. E. (2000). *How to design and evaluate research in education*. New York: McGraw.
- [8] Gikonyo, W. (2008). *The CDF Social Audit Guide: Popular Version: a Handbook for Communities*. OSIEA.
- [9] Hussein, I. M. R & Shale, I .N . (2014). Effects of sustainable procurement practices on organizational performance in manufacturing sector in Kenya: a case of Unilever Kenya Limited. *European Journal of Business Management*, 1 (11), 417-438.
- [10] Jibrin M. S., Ejura S. B. & N. I. (2014). The public procurement reforms in Nigeria: implementation and compliance challenges. *Journal of Asian Business Strategy*. 4(12), 153-166
- [11] Johnson, P. F., Klassen, R. D., Leenders, M. R., & Fearon, H. E. (2002). Determinants of purchasing team usage in the supply chain. *Journal of Operations Management*, 20(1), 77-89.
- [12] Kabega, C., Kule, J. W., & Mbera, Z. R. (2016). Effect of procurement practices on performance of public projects in Rwanda. *International Journal of Economics, Commerce and Management United Kingdom*, IV (5), 377-397.
- [13] Kakwezi, P., & Nyeko, S. (2010). Procurement processes and performance: Efficiency and effectiveness of the procurement function. *Retrieved April*, 3(2011), 1-22
- [14] Karanja M. K. & Kiarie D. (2015). Influence of procurement practices on organization performance in private sector in Kenya: a case study of Guaranty Trust Bank Kenya Ltd. *International Journal of Business & Law Research* 3(2), 44 – 60
- [15] Kaufmann, P.A. (2009). Retailer acceptance of new products: a relational perspective, American Marketing Association Conference Proceedings, 13, 161
- [16] Kierkegaard, S. (2006). Going, going, gone! E-procurement in the EU. *International Journal of Computing and Information Sciences*, 14(4), 230 – 240.
- [17] Kombo, D. K., & Tromp, D. L. (2006). Proposal and thesis writing: An introduction. *Nairobi: Paulines Publications Africa*, 5, 814-30.
- [18] Kombo, D. K., & Tromp, D. L. (2006). Proposal and thesis writing: An introduction. *Nairobi: Paulines Publications Africa*, 5, 814-30.
- [19] Kothari, C. R. (2009). *Research Methodology: An introduction*. New Age International Publishers New Delhi.
- [20] Lysons, K., & Farrington, B. (2016). *Procurement and supply chain management*. Pearson Higher Ed
- [21] Makabira D. K. & Waiganjo E. (2014). Role of procurement practices on the performance of corporate organizations in Kenya: a case study of Kenya National Police Service. *International Journal of Academic Research in Business and Social Science*. 4(10), 369 – 389.
- [22] Mugenda, A. (2003). *Research method.s* Quantitative and qualitative approaches by Mugenda. *Nairobi, Kenya*.

- [23] Mumo, N., (2012), *Strategies used by Standard Chartered Bank in building a sustainable competitive advantage in international banks*. (Unpublished master thesis) University of Nairobi, Kenya.
- [24] Ogula, P.A (1995) *A Hand book on Educational Research*. Nairobi: New Kemit Publishers.
- [25] OMOSA, R. J. O. (2005). *Procurement Performance Measurement Systems; a survey of Large Manufacturing Companies in Nairobi*. Unpublished PhD thesis. Nairobi: University of Nairobi.
- [26] Ordanini A. & Rubera G. (2008) Strategic capabilities and internet resources in procurement: a resource-based view of B-to-B buying process, *International Journal of Operations & Production Management*, 28(1), 27 – 52.
- [27] Orodho, J. A. (2008). *Techniques of Writing Research Proposals and Reports in Education and Social Sciences. Bureau of Educational Research*. Kenyatta University, Nairobi, Kenya: Kanezja HP Enterprises.
- [28] Schiele, H., Horn, P., & Vos, B. (2011). Estimating cost-saving potential from international sourcing and other sourcing levers: Relative importance and trade-offs. *International Journal of Physical Distribution & Logistics Management*, 41(3), 315-336.
- [29] Sultana, A., Irum, S., Ahmed, K., & Mehmood, N. (2012). Impact of training on employee performance: A study of telecommunication sector in Pakistan. *Interdisciplinary Journal of contemporary research in business*, 4(6), 646-661.
- [30] Wambui, E. N. (2013). Role of procurement on organization performance; a survey study of public secondary schools in Imenti North District, Kenya. *International Journal of Social Sciences Entrepreneurship*, 1(3), 289 – 302.
- [31] Wanyama, W. (2012). *Contribution of e-procurement in enhancing procurement process*, Unpublished Research Project, Kenya Institute of Management.
- [32] Watson P. & Howarth T. (2012). *Construction quality management: principles and practice*. Technology & Engineering, Routledge
- [33] Weele, A. (2010). *Purchasing and supply chain management: analysis, strategy, planning and practice (5thed.)*. Andover: Cengage Learning.
- [34] William, O. N. (2010). ASQ certification: a brief history. *Quality Progress*. 43.
- [35] Wilmshurst, T. D. & Frost, G. R. (2000). Corporate environmental reporting: a test of legitimacy theory. *Accounting, Auditing & Accountability Journal*. 13(1), 10–26.
- [36] Wogube, S. G. (2011). Procurement planning and service delivery in public enterprises. *A case study of Sironko Town Council*.
- [37] World Bank (2010). *Roads: broadening the agenda*, in Foster, V. and Briceño-Garmendia, C. (eds) *Africa's Infrastructure: A Time for Transformation*. Washington, DC: World Bank.
- [38] Zu X. & Kaynak H. (2012). An agency theory perspective on supply chain quality management, *International Journal of Operations & Production Management*, 32(4), 301-318.