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EFFECT OF PROCUREMENT PLANNING ON SUPPLIERS PERFORMANCE IN PUBLIC INSTITUTIONS: A CASE OF MOI UNIVERSITY

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ABSTRACT: *Supplier performance has become a critical factor for the organization's success. In this regard, many firms and researchers have attempted to find out variables that affect either positively or negatively on supplier performance. However, very few studies have been carried out on procurement procedures in developing countries like Kenya. Public procurement system in Kenya has been characterized by a weak legal framework and lack of professionalism among public procurement practitioners. The study adopted an explanatory research design. The target population was 119 suppliers in the list of pre-qualified suppliers. The study adopted census for the suppliers to collect data; self administered questionnaires together with interviews schedule guides were used. Data was analyzed using descriptive statistics. The findings indicated planning enhances value for money, enhance quality, encourages proper utilization of resources, planning enables quick decision making and encourages innovations as it is a problem solving technique and saves time. Therefore procurement planning enhances supplier's performance in service delivery.*

KEYWORDS: Procurement Planning, Suppliers Performance, Procurement Procedure, Public Procurement

INTRODUCTION

Public procurement and Disposal Act (2015) states that procurement planning in the public sector is compulsory in order to ensure efficient procurement of goods, works and services. Those charged with public procurement responsibility must therefore ensure that procurement plans are prepared in line with those of their annual budgets and implemented. The implementation of procurement plans must be monitored on a quarterly basis and adjustments made as necessary. Procurement planning is the responsibility of those charged with procurement responsibility of the organization. Procurement is a complex function of and requires participation of all actors. It is also important for all actors to cooperate and perform their roles for the success of the procurement function. Each procurement activity for acquirement of goods, works and services should be assigned the responsible officials and time within which it should be completed as per the guidelines of Public Procurement Oversight Authority (PPOA).

The performance of supplier is very often considered by comparison to firm's performance. Though, they have financial and non-financial performance measurements. In the intense business competitive environment, companies are relying more on their supply chain as a source of competitive advantage. Purchasing and supply management has achieved a higher level of importance. There is a greater dependence on suppliers (Kannan & Tan, 2002). Suppliers have played strategic roles in organizations, and have significantly engaged in

creating a competitive advantage and their actions have a positive impact on the organization's performance (Jabbour and Jabbour, 2009). Many companies faced the problems of supplier's inability to improve themselves (Krause et al, 2000). A number of studies suggested strategies to improve supplier performance. Raising the rate of supplier performance expectations, worldwide sourcing strategy, early supplier design involvement, supplier performance improvement rewards and direct supplier development are suggested to improve supplier performance (Monczka *et al.*, 1993). Procurement is an essential element of cost effective and efficient services. It impacts on members, the chief executive, the corporate management team, staff, the public suppliers and partners. A clear, comprehensive and effective procurement strategy is crucial to ensuring that good value services are provided (Eliot 1997).

The suppliers performance can be achieved through enhanced competition, long term incentives, transparency and effective payment of the suppliers. The poor supplier performance might stem from buying company being slow payers. The point is that many functions are involved in one way or another with the purchasing process. This may influence suppliers performance in variety of ways by their actions, yet complex inter-relationships make it difficult to segregate the effect of the influence.

In supplier's performance effectiveness, it's also basic thrust behind the growing interested terms as "collective" approaches – materials management, logistics management, physical distribution and materials administration. These aims in grouping authority and responsibilities in ways which allows controls and measures performance of suppliers performance (Peter *et al.*, 2005).

Statement of the Problem

Previous researches addressed that organizations increasingly involved in supplier development programs to improve their supplier performance and build competitive advantage (Modi and Mabert, 2007; Alaez-Aller and Longas-Garcia, 2010). It is important that companies make profit in the delivery of services, creation of employment and generation of revenue for the country. It has been argued that effective management of the purchasing strategies leads to remarkable improvement in organizational efficiency. This study therefore seeks to establish the effects of procurement planning procedures on supplier's performance.

The consequences of poor procurement procedures principle are loss of time, money, conflict of interest of public servant and unfair intercom petition in ineffective advertisement. Procurement and supply chain management covers a broad overall execution of an effective business to deliver products and services to the customers in a timely and competitive manner and is typically defined as the network of the organizations that are involved through upstream and downstream linkages in the different process activities that produce value in the form of products and services in the hand of ultimate customers. It is organizing, planning, and execution of the goods flow from development and purchasing through production and distribution to the final customer in order to satisfy the requirements of the minimum cost and minimum capital (Mintzberg 1990).

LITERATURE REVIEW

Procurement Planning

Procurement planning is one of the primary functions of procurement with a potential to contribute to the success of local government operations and improved service delivery. It is a function that sets in motion the entire acquisition/procurement process of local governments (Basheka, 2010).

Planning both as a concept and function is probably one of the extensively talked about concepts in the management literature. It is a function that forms the foundation for the rest of management functions. When planning is properly conceived and implemented, it can serve as an important mechanism for extracting, distributing and allocating resources (James, 2004). Planning generally enhances the gathering, evaluating and interpreting of essential data and information in order to produce knowledge relevant to good policy making. In many African countries, planning has not arrived at the level of achieving the aims described because of problems related to human and technical capacities and financial resources). In management literature planning implies that managers think through their goals and actions in advance and that their actions are based on some method, plan or logic rather than on a hunch (Stoner, Freeman & Gilbert, 1995).

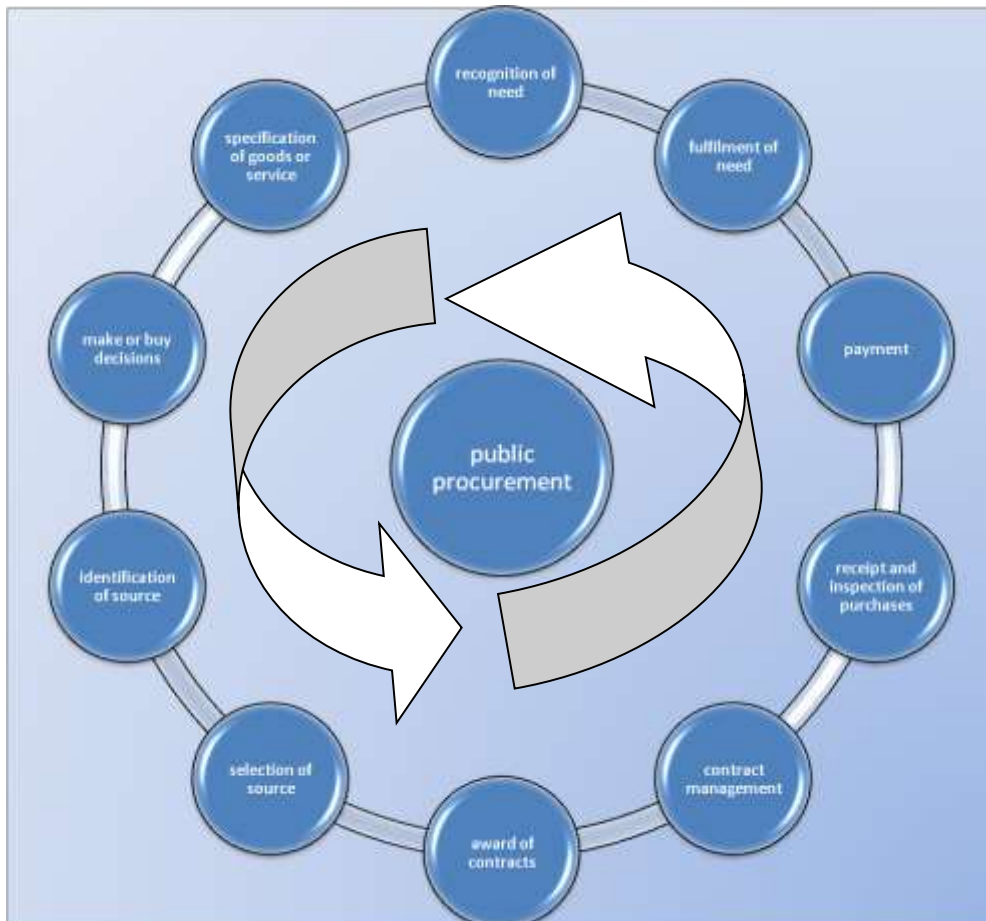
The planning function encompasses defining an organization's goals, establishing an overall strategy for achieving those goals, and developing a comprehensive hierarchy of plans to integrate and coordinate the activities (Robbins, 2001). Procurement planning is the primary function that sets the stage for subsequent procurement activities. It 'fuels and then ignites' the engine of the procurement process. A mistake in procurement planning therefore has wide implications for local governance, measured from the two indicators of accountability and participation.

Procurement planning contributes to local governance measured at two levels of accountability and community participation. The key to accountability is the capacity to monitor and enforce rules-within the public sector, between public and private parties. Accountability as one of the broad elements of good governance involves holding elected or appointed individuals and organizations charged with public mandate to account for specific actions, activities, or decisions to the public from whom they derive their authority (Agere, 2001). The internal regulatory mechanisms of government-accounting, procurement and personnel –have long received sustained attention as the centerpiece of reforms to promote accountability (World Bank, 2000). Accountability of public officials is critical in deterring corrupt practices and it creates an enabling environment for vibrant private sector activity (Kabaj, 2003). Problems of accountability arise when government ignore or transgress social ethics and constitutional and legal provisions in conducting public affairs, administrative systems are fragmented, tasks to be performed are so complex or unspecified that it is difficult to identify who is responsible for what, activities are underfunded so that implementation is very difficult or impossible (Therkildsen, 2001).

The Complete Procurement Cycle

The complete procurement cycle begins with the procurement planning, a step closely linked with the budget process, then followed by the procurement initiation, bidder selection, notification of contract award, procurement commitment (contract signing) contract

administration, receipt and acceptance of goods, works, services or consulting services and the storage and inventory management of the goods and supplies received. The procurement cycle may also involve administrative law. Procurement cycle starts with the identification of the procurement requirement and ends with the registration of the assets procured into the procuring entities records. It is the role and function of the head of procuring entity to ensure close coordination with the budget process, commitment control, finance and expenditure management and audit.



MATERIALS AND METHODS

Research Design

Research design is the plan and structure of investigation so conceived as to obtain answers to research questions and control variance. The study adopted explanatory design to establish the cause effects of procurement procedure on supplier's performance. The design was appropriate as it allowed for the use of questionnaire to collect data from the respondent

Target Population

The study was done in the two Campus of Moi University namely Main Campus and Town Campus. The study targeted Moi University registered pre-qualified suppliers. The target being 119 registered suppliers.

Data collection instruments

The researcher used questionnaire to collect the data. Questionnaire is a research tool that gathers data over a large sample (Kombo et al 2006). The questionnaire is the most appropriate research tool as it allows the researcher to collect information from a large sample with diverse background; the findings remain confidential, save time and since they are presented in paper format there is no opportunity for bias.

Data Collection Procedure

The researcher designed a likert scale questionnaire for 119 pre-qualified suppliers and personally administered the research tools. It also provided a rough picture of the respondent's expectations. They agreed with the respondents when the researcher instruments were to be administered and specifically dates of collecting the questionnaires. Adequate time was given to the respondents to respond to the questionnaire.

RESULTS AND DISCUSSION

Preliminary Data Analysis

A total of 119 questionnaires were issued and those which were returned were 105 and the response rate was found to be 88.3%. After data collection was done the researcher carried out the data cleaning to check for missing values in the questionnaires. During the cleaning exercise there were no missing response in the questionnaires returned and all the 105 returned were used in the analysis.

Descriptive Analysis

The background information of the respondents was summarized in the study with respect to their gender, age, period worked and education level of suppliers and also effects of procurement procedures to supplier's performance in the public institution as shown in table 4.1. Majority of the suppliers 80 (76.2%) were male, while a few 25(23.8%) were female. This indicated that there was gender disparity in the distribution of suppliers during the study. A good number of employees 40(38.1%) were aged between 31 and 40 years, with 30(28.6%) aged 41 to 50 years and 21(20%) was aged between 20 and 30 years. The findings indicated that most suppliers were young thus productive enough to work in procurement industry.

The number of years the suppliers have been doing business was varied with 33 (31.4%) of suppliers had been in business, while 30 (28.6%) and 26(24.8%) were aged over 9 years having been in business. The findings indicate that most of the suppliers had done business with the institution for less than 9 years. Majority of the suppliers 49 (46.7%) and a good number 37(35.2%) had diploma and 13(12.4%) had masters qualification. The findings indicate that majority of the suppliers 99(94.3%) had above diploma level of education level.

Table 4.1 Descriptive Analysis

| Variable | Category | Frequency | Percent | Cumulative Percent |
|-----------------------------------|-----------------|------------------|----------------|---------------------------|
| Gender | Male | 80 | 76.2 | 76.2 |
| | Female | 25 | 23.8 | 100.0 |
| | Total | 105 | 100.0 | |
| Age | 20-30 years | 21 | 20.0 | 20.0 |
| | 31-40 years | 40 | 38.1 | 58.1 |
| | 41-50 years | 30 | 28.6 | 86.7 |
| | Over 50 years | 14 | 13.3 | 100.0 |
| | Total | 105 | 100.0 | |
| Duration of Doing business | 0-3 years | 33 | 31.4 | 31.4 |
| | 4-6 years | 30 | 28.6 | 60.0 |
| | 7-9 years | 16 | 15.2 | 75.2 |
| | Over 9 years | 26 | 24.8 | 100.0 |
| | Total | 105 | 100.0 | |
| Education | Masters | 13 | 12.4 | 12.4 |
| | Undergraduate | 49 | 46.7 | 59.0 |
| | Middle college | 37 | 35.2 | 94.3 |
| | Secondary | 6 | 5.7 | 100.0 |
| | Total | 105 | 100.0 | |

Procurement Planning Process

The suppliers were required to identify the extent that planning influences supply performance in and their views were varied as summarized in table 4.2. Most of the suppliers 98(93.3%) agree that the planning enhances value for money and the least were not sure and disagree on the extent that planning influences supply performance.

Most of the suppliers 92(87.6%) agree that the planning help in enhancing quality and the least were not sure and disagree on the extent that planning influences supply performance. Most of the suppliers 98(93.3%) agree that planning encourages proper utilization of resources and planning enables quick decision making. The least 7(6.7%) were not sure on the extent that planning encourages proper utilization of resources and enables quick decision making.

Most of the suppliers 96(91.4%) agree that the planning encourages innovations and the least 7(6.7%) were not sure and 2(1.9%) disagree on the extent that planning influences supply performance through encouraging innovations. Most of the suppliers 88(83.8%) agree that the planning is a problem solving technique and the least 8(7.6%) were not sure and 9(8.6%) disagree on the extent that planning is a problem solving technique. Majority of the suppliers 102(97.1%) agree that the planning saves time and the least 3(2.9%) were not sure that planning saves time. From the study it was identified that the procurement process within Moi University involved the most of the suppliers agree that the planning enhances value for money, enhance quality, encourages proper utilization of resources, planning enables quick decision making. Planning encourages innovations as it is a problem solving technique and saves time.

Table 4.2 Procurement Planning Process

| Planning process | S A | | A | | NS | | D | | S D | | Mean | Sd |
|--|-----|------|----|------|----|-----|---|-----|-----|-----|------|------|
| | F | % | F | % | F | % | F | % | F | % | | |
| Help in enhancing quality | 63 | 60.0 | 35 | 33.3 | 6 | 5.7 | 1 | 1.0 | | | 3.47 | 0.65 |
| Enhances value for money | 62 | 59.0 | 30 | 28.6 | 10 | 9.5 | 3 | 2.9 | | | 3.55 | 0.78 |
| Encourages proper utilization of resources | 72 | 68.6 | 26 | 24.8 | 7 | 6.7 | | | | | 3.37 | 0.61 |
| Enables quick decision making | 61 | 58.1 | 37 | 35.2 | 7 | 6.7 | | | | | 3.50 | 0.62 |
| Encourages innovations | 61 | 58.1 | 35 | 33.3 | 7 | 6.7 | 2 | 1.9 | | | 3.50 | 0.71 |
| Is a problem solving techniques | 50 | 47.6 | 38 | 36.2 | 8 | 7.6 | 6 | 5.7 | 3 | 2.9 | 3.77 | 1.00 |
| Saves time | 79 | 75.2 | 23 | 21.9 | 3 | 2.9 | | | | | 3.27 | 0.51 |

KEY:-SA-Strongly Agree A-Agree NS-Not Sure D-Disagree SD-Strongly Disagree

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary

Procurement Planning Process

From the study it was identified that the procurement process within Moi University involved most of the suppliers agreeing that planning enhances value for money, enhance quality, encourages proper utilization of resources, planning enables quick decision making. Planning encourages innovations as it is a problem solving technique and saves time.

Supplier's Performances

From the study the supplier's performance in institution had value for money on utilization of resource through expenditure. The supplier's performance was efficient and effective in their services and had improved services provision through fair competition. The supplier's performance had prompt payments of suppliers which enhances trust on both partners and had enhancement of quality innovation and timely service delivery. The findings indicated that planning influences the performance of suppliers in Moi University. From the study it showed that the longer the procurement process, the higher the Suppliers' performance.

Conclusion

In light of the findings, procurement planning enhances supplier's performance in service delivery. Specifically, it has been established in the study that planning enhances value for money and it also helps in enhancing quality. It is therefore possible for the accounts

department to forecast cash flow requirement and projections. Moreover, planning encourages innovation and proper utilization of resources and is also time saving. Further, planning is a problem solving technique that ensures cash is available to meet the cost of procurement contracts.

Recommendation

Procurement planning is of essence if supplier performance in service delivery is to be enhanced. It is therefore imperative for organizations to embrace procurement planning since through it, quality is enhanced and delays in payment of suppliers is reduced. There is also need for the Public Financial Management (PFM) to have a check list that ensures that procurement of goods and services is done within the budgetary approvals on sources of funds so as to avoid delay in payment.

Procurement planning procedures should also be reviewed in order to take into account the exact votes as the basis for powering the required goods, works and services. Further, there will be proper utilization of resources, innovation and problem solving techniques once procurement planning procedures are put in place. The PPOA should also strengthen its monitoring and evaluation (M&E) system to ensure that procuring entities utilize public resources efficiently and follow the procurement law as they execute procurement work.

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