



**ROLE OF STRATEGIC PROCUREMENT PROCESS MANAGEMENT PRACTICE IN
STOCK-OUTS MANAGEMENT IN KENYAN PUBLIC SECTOR: A CASE STUDY OF
JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY IN
KENYA**

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Abstract

The purpose of the study was meant to analyse the role of strategic procurement process management practice in stock-outs management in an institution so as to align it with the procurement Bill (2014) that provide procedures for efficient public procurement and for assets disposal by public entities; and for connected purposes. The study applied a descriptive research design. The study population comprised of 40 employees working in the Procurement Department of JKUAT Main Campus. The researcher collected primary data using questionnaires. A census method was adopted where all the 40 staff in Procurement Department were issued with questionnaires. A descriptive statistics were used in this study aided by Statistical Package for Social Sciences (SPSS) version 22 to compute percentages of respondents' answers. Data was analysed and scored by calculating the, frequencies, percentages. The data was presented in the form of frequency tables for easier understanding and interpretation. The findings of the study revealed that strategic procurement process management practice plays a significant role in stock-outs management in Public Institutions. Most of the respondents agreed that closer collaboration between stakeholders manages the procurement process. This study provides practitioners with key recommendations to manage stock-outs in their organizations by recognizing effective implementation of strategic procurement process management practice. The study recommends that management of the procurement process should be administered by qualified, competent and experienced procurement professionals. The study also recommends the use of automated tools such as an Enterprise Resource Planning (ERP) system and Electronic Data Interchange (EDI) to assist procurement specialists or buyer with the buying activities.

Keywords: procurement process, framework contraction, contract management, lead time

1. Background of the study

Purchasing function is important part of doing business in today's competitive environment. As a result of this development purchasing function has now moved from product-centered to a performance-centered. This trend has called for the process to be evaluated in order to achieve the performance-centeredness in the public sector. With this realization, many public sector institutions and for that matter governments in many countries have invested substantial funds to restructure public sector purchasing or procurement processes to improve performance in terms of quality services and savings (Wan Lu, 2007).

The views of Bryan and Oliver (2009) indicate that the current public sector purchasing processes are not yielding the desired results in terms of meeting operational requirements of public sector institutions on time as a result of the bureaucratic nature of the processes involved and impacts negatively on purchasing performance. Weele (2010) argues in support of this current development by saying that many organizations have now turned to improve purchasing processes as mechanism for cost cutting and savings to remain in business. Klemencic (2006) also support the above assertion by stating that, a large number of public sector institutions have made large investment to streamline their purchasing activities and processes in terms of training and infrastructure in improving customer satisfaction and also increase their internal productivity. Anderson, Fitzsimons and Simester (2006) argues that an organization faced with stock out may lead to loss of production with workers still having to be paid but no products being produced, this can harm the reputation of the business. It is therefore important for any organization to ensure that stock is kept at a good level to avoid all this losses.

Public Procurement Oversight Authority (2007) advocates that to manage effectively and more efficiently the procurement process, procuring entities through the existing legal framework are required to firstly consolidate departmental procurement plans to provide the entity's corporate procurement plan which before its implementation must get the accounting officer's approval. Weele (2009) states that, technology is a tool that can facilitate this process in a more efficient and effective way. The use of technologies is not a substitute for the development of comprehensive and robust strategies. Technology only facilitates the development of a good strategy. Procurement professionals should identify and implement technology that aides the procurement process and supports the overall strategy of the organization. The technology should create measureable results (linked to Return on Investment) including, reduced transaction costs, improved process efficiency, a reduction or elimination in "maverick spending", increased contract compliance, improved transparency, reduced cycle times and improved inventory costs. Technology can also increase supplier access to bid opportunities which can result in increased competition, diversity and inclusion of suppliers.

Lysons and Farrington (2012) states that a specification may be contained within a wider requirements description, such as a bid document. The requirements description usually describes what is needed by the organization rather than how it is to be provided. The intent of a good specification is to enable suppliers and service providers to compare their products and

services against stated requirements that are presented on an equal basis. It will also allow the buying organization to competitively evaluate solicitation responses and determine functional equivalency, if appropriate.

2. Study Objective

The objective of the study is analyse the role of strategic procurement process management practice in stock-outs management at Jomo Kenyatta University of Agriculture and Technology.

3. Literature Review

Lysons and Farrington (2006) defined a process as a set of sub processes or stages focused on achieving an output. A procurement process can be defined as all the activities required in getting a product or service from the supplier to a final destination. It encompasses the purchasing function, storing, transportation and manages the relations between suppliers and internal customers. It involves analysis, planning, implementation, and measurement. It is the actual way the need from an internal customer is taken to the supplier and then back again to the internal customer whose need is then satisfied. Purchasing process is a cycle or chain that shows the activities that purchasing goes through in obtaining a given need for operational and strategic purposes.

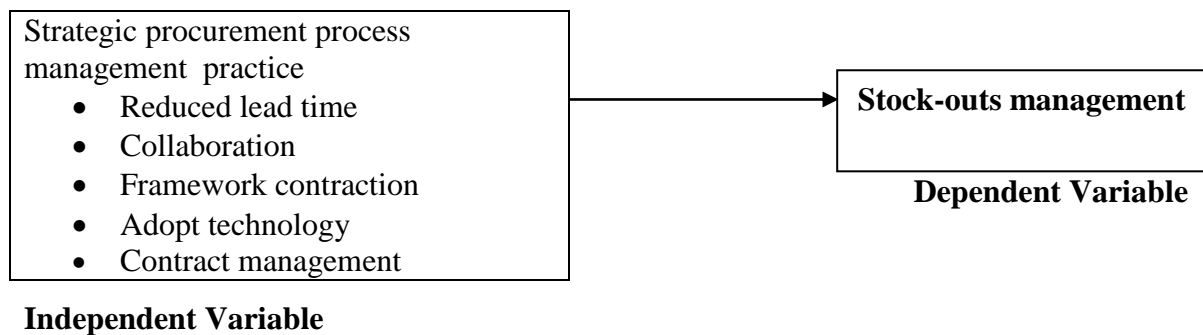
Contract management spans through all levels of the procurement process. At the initiate stages of planning, contract management can be split down into service delivery management, relationship management, and contract administration. In public procurement, service delivery management is concerned with meeting fully the deliverables that were agreed upon in the contract, the levels of performance as per the contract, and quality. The contract management function in an organization allows the head of procurement department to more effectively leverage the organization's spend, particularly in the area of services, where there is a great opportunity for cost reduction and risk mitigation (Bartels, 2009)

Framework arrangements represent a 'smarter' way of purchasing than placing, one-off orders for recurrent contracts for works or supplies; by, for example, optimizing volume purchasing discounts and minimizing repetitive purchasing tasks. A key aim of a framework arrangement should be to establish a pricing structure; however this does not mean that actual prices should be fixed but rather that there should be a mechanism that will be applied to pricing particular requirements during the period of the framework. It should also be possible to establish the scope and types of goods/ services that will need to be called-off. One of the framework arrangements that is gradually gaining popularity is framework contracting in the purchasing and supplies function (PPOA, 2010).

Sriram and Stump (2004) reckoned that Enterprise Resource Planning (ERP) systems are essential for supporting internal information sharing. Externally, Inter-Organizational

Information Systems (IOIS) constituting automated information systems shared by various firms can be used to support information-sharing with customers and suppliers. ICT contributes to improved communications patterns, increased demand for coordination of joint activities and new organizational structures through its ability to store, transmit and process information and speed up inter-organizational activities. Organizations have huge amounts of raw procurement data but are poor at converting same into market knowledge. They should strive to find trends, patterns and connections in data in order to inform and improve competitive procurement performance.

4. Conceptual Framework



5. Research Methodology

This chapter sets out the methodology which was used in carrying out the research. It focused on; research design, target population, census, data collection instrument, data collection procedure, pilot test and data analysis and presentation. This study employed a descriptive survey research design which is a scientific method which involves observing and describing the behaviour of a subject without influencing it in any way (Kothari, 2004). The target population included forty (40) respondents who are entire staff of Procurement Department in JKUAT Main Campus. The department has four sections and in each with a section head including personnel, the overall Chief Procurement Officer, the Principal Procurement Officer and in-charge central stores including personnel in the three (3) University Stores. In this study, a census method was adopted where all the 40 staff in Procurement Department were issued with questionnaires. According to Cooper and Schindler (2006), a census is a count of all the elements in a population. The stud relied on the use of questionnaires which contained both open and closed ended questions in order to enable effective data collection filled in the questionnaire.

6. Findings Of The Study

Strategic procurement process management practice

The study sought to establish the role of strategic procurement process management in stock-outs management in Jomo Kenyatta University of Agriculture and Technology. The findings are illustrated on table 1 below:-

Analysis on Strategic procurement process management practice

Statements	Strongly Agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly Disagree (%)
Improved/Reduced lead time.	30.0	45.0	12.5	5.0	7.5
Closer collaboration between stakeholders.	27.5	50.0	7.5	2.5	12.5
Contract management.	32.5	47.5	7.5	5.0	7.5
Creating a robust project procurement process for the organization through adoption of technology.	32.5	37.5	15.0	10.0	5.0
Framework contraction.	35.0	35.0	20.0	10.0	0.0

The table indicates that majority of the respondents agreed to the following statements regarding strategic procurement process management; (45.0%) of respondents agreed with improved/Reduced lead time. Majority (50.0%) of the respondents agreed with closer collaboration between stakeholders. While (47.5%) of the respondents agreed with contract management, whereas (37.5%) of the respondents agreed with the statement, creating a robust project procurement process for the organization through adoption of technology and (35.0%) of the respondents agreed with framework contraction.

7. Correlation Analysis

Table 2: Correlation between stock-outs management practice and Procurement process management practice

		Stock-outs management practice	Procurement process management practice
Stock-outs management practice	Pearson Correlation Sig. (2-tailed)	1	.360* .022
Procurement process management practice	Pearson Correlation Sig. (2- tailed)	0.22	

** . Correlation is significant at the 0.01 level (2-tailed).

** . Correlation is significant at the 0.05 level (2-tailed).

Strategic procurement process management practice was found to be positively related to stock-outs management ($r = 0.360$, $p\text{-value} = 0.000$) at 0.05 levels of significance.

8. Summary Of The Major Findings

From the findings, (37.5%) of the respondents agreed with the statement, creating a robust project procurement process for the organization through adoption of technology reduces delivery time thus manage stock-outs. Further, 35.0% of the respondents agreed that framework contraction has a critical impact on stock-outs management in that; frequently bought items would be consolidated into contracts for supply at an agreed price over a defined contract term, with orders being placed at the contract price when required. According to the analysis of the findings, majority of the respondents cited strategic procurement process management practice manages stock-outs in Kenyan Public Sector. Most of the respondents agreed that closer collaboration between stakeholders manages the procurement process. This suggests that, with the new Public Procurement and Asset Disposal Act, 2015 the legal requirement should be reviewed and its bureaucracy broken down to manage the process and make it a success also public confidence would be restored as right procedures in evaluation and award of tenders would be followed.

9. Conclusions

Effective procurement process management practice is determined by the level of compliance with procurement regulations, minimization of procurement expenditure, transparency and accountability of procurement funds and quality of procured goods and services. The result of the study shows that specifications helps users to understand their needs and also communicates to the suppliers on what to supply. Most respondents supported the idea that specifications were a challenge to the procurement function, this is because the final product of items procured by the department heavily depends on how accurate specifications were done before commencing the purchase. Delayed payment to suppliers was also another challenge this is because prompt payment reduces lead time. Good communication between the buyers and suppliers is the only key to success to any business today. Constant appraisal of suppliers would enable the procurement department to know more about new products, right specifications and quality due to new innovations or changes in technology in the market.

10. Recommendations

This study provides practitioners with key recommendations to manage stock-outs in their organizations by recognizing effective implementation of strategic procurement process management practice. On strategic procurement process management practice, the study recommends that management of the procurement process should be administered by qualified, competent and experienced procurement professionals. This will not only help maintain good procurement standards but also will help achieve high levels of efficiency and effectiveness. In addition, to avoid delays in supply and provision of services, timelines have to be respected since most projects would have overruns. That study recommends that it is often the user department, which says when something is required. It is not good for these requirement dates to be specified without regard to supplier lead times and market realities since this is likely to lead to late deliveries. Purchasing should work on the problem of getting shorter lead times (and reliable suppliers) and ensure that relevant departments know what they are and care should be taken that a mutual understanding of expression 'lead time' is achieved.

The study recommends that specifications help users to understand their needs and also communicate to the suppliers on what to supply. This is because the final product of items procured by open tender process or any other procurement method heavily depends on accuracy of specifications. For effective results, Procurement department should always involve technical experts and User departments in preparation of specifications of the required equipment before preparation of bidding documents. These specifications should be written in a manner that potential suppliers will understand. Where possible they should be standardized for them to be used in future for a similar purchase.

The study also recommends the use of automated tools such as an Enterprise Resource Planning (ERP) system and Electronic Data Interchange (EDI) to assist procurement specialists or buyer

with the buying activities. EDI describes both the capability and practice of communicating information between two organizations electronically instead of traditional form of mail, courier, and fax. Regardless of whether an automated system is used, the goal of the procurement process is to buy the exact product or service when needed for the most favourable price. Procurement process managed efficiently can ensure that the items provided meet your need. It also helps manage the supplier relationship, ensuring that any issues are resolved quickly. By implementing a strategic procurement management process, enables an organization to get the maximum value from the supplier relationship. Constant appraisal of suppliers would enable the procurement department to know more about new products, right specifications and quality due to new innovations or changes in technology in the market.

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