

Effect of Supplier Evaluation on Procurement Performance of Nakuru County Government, Kenya

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Abstract- County governments are tasked with providing essential services to their constituents, including healthcare, education, infrastructure, and public safety. To do this, they rely on suppliers to provide goods and services. However, The Auditor general report notes that there is non-compliance with procurement laws in Nakuru County. Specifically, the report found that some procurement processes were not conducted in accordance with the Public Procurement and Asset Disposal Act its regulations. The study endeavoured to establish the effect of supplier evaluation on procurement performance of Nakuru county government, Kenya. The transaction cost, social exchange theory and relational theory and resource dependency theories. This study adopted a survey research design. The unit of analysis was 10 departments in the County Government of Nakuru. The unit of observation was top and middle level employee working in procurement and finance departments a total of 82 respondents. Manageable the study adopted census techniques to incorporate all the targeted respondent's Primary data was collected using questionnaire. A pilot study was conducted in Kericho County. Content validity was done by the experts in the University. Reliability of the instruments were determined using Cronbach Alpha. Items with reliability co-efficient of at least 0.70 was accepted as valid and reliable in this research. The data that was collected in this study was quantitative in nature. Quantitative data was analysed using SPSS. The study used descriptive and inferential statistics. Means, and standard deviations were used to interpret descriptive statistics. Inferential statistics use correlation and multiple regression analyses. Statistical tables presented study results. From the findings the study concluded that there was an insignificantnegative effect between supplier evaluation and procurement performance. The study further recommended that

the Nakuru County Government should regularly assess supplier performance by conducting periodic evaluations of suppliers based on the established criteria.

Indexed Terms- Supplier Evaluation, Procurement Performance

I. INTRODUCTION

Strategic sourcing involves finding, analyzing, and choosing vendors to supply goods and services to organizations (Aboelazm, 2018). It is essential to acquiring goods and services at the optimum price, quality, and delivery time. Strategic sourcing ensures that government agencies buy goods and services at the best possible price, quality, and delivery time, (Chepkesis, &Kiplel, (2019). Strategic sourcing on performance of government involves using performance metrics to evaluate supplier performance and ensure that they meet the government's requirements. Strategic sourcing consists of four elements: supplier evaluation, supplier management, cost optimization and risk management. Supplier evaluation involves identifying potential suppliers and evaluating their capabilities, quality, and price competitiveness, (Handfield, (2020).

Strategic sourcing has also been adopted by the South African government to improve procurement outcomes. The Office of the Chief Procurement Officer was established to oversee the implementation of strategic sourcing practices in government procurement, (Azadeh, &Shahanaghi, (2017). According to Saghafian, and Tavana, (2019), strategic sourcing has led to significant cost savings and improved supplier performance in the South African government. The study revealed that strategic sourcing initiatives have resulted in reduced

procurement costs, improved procurement efficiency, and increased collaboration between government agencies and suppliers. The use of strategic sourcing practices has also led to the development of stronger supplier relationships in the South African government. The study found that strategic sourcing has helped to build trust between suppliers and government agencies, which has improved supplier performance and reduced the risk of procurement fraud and corruption.

In Kenya, strategic sourcing has been embraced by the government as a tool for enhancing procurement outcomes. The government has adopted a centralized procurement system, which has led to the adoption of strategic sourcing practices in public procurement, (Kimathi, (2019). Kenya's 2015 Public Procurement and Asset Disposal Act has implemented an electronic procurement system, known as the Integrated Financial Management Information System (IFMIS), which provides a platform for suppliers to register and bid for government contracts (Government of Kenya, (2021). The IFMIS system has helped the government to standardize procurement processes, enhance transparency and accountability, and reduce procurement costs. Moreover, the Kenyan government has embraced strategic sourcing practices by introducing a preferential procurement policy that gives preferential treatment to goods and services produced locally. The policy promotes local businesses and economic development by creating jobs and lowering imports (Government of Kenya, 2021). The preferred procurement program has increased local manufacturing and reduced the government's dependence on foreign goods and services.

II. LITERATURE REVIEW

Li, Sun and Feng (2017) investigated supplier assessment and supply chain performance in the context of Chinese manufacturing firms. The quantitative study surveyed 230 firms. Chinese manufacturers with supplier assessment programs were targeted. Convenience sampling selected firms based on availability and willingness to participate. The sample size was 230 firms, and the data were collected through self-administered questionnaires. The findings indicated a positive relationship

between supplier evaluation and supply chain performance. Specifically, the study found that supplier evaluation had a significant impact on supply chain efficiency, quality, and flexibility.

Zhang, Guo and Huang, (2019) assessed the impact of supplier evaluation on the financial performance of Chinese manufacturing firms. The quantitative study surveyed 150 firms. Chinese manufacturers with supplier assessment programs were targeted. The study chose organizations by size and industry using stratified sampling. The sample size was 150 firms, and the data were collected through self-administered questionnaires. The findings indicated a positive relationship between supplier evaluation and financial performance. Specifically, the study found that supplier evaluation had a significant impact on profitability, asset turnover, and return on assets.

A study by Marques, Gomes and Yasin (2018) investigated the impact of supplier evaluation on supplier performance in the context of Portuguese manufacturing firms. The quantitative study surveyed 103 firms. Portuguese manufacturers with supplier assessment programs were targeted. The study randomly sampled organizations that had supplier assessment programs. The sample size was 103 firms, and the data were collected through self-administered questionnaires. The findings indicated a positive relationship between supplier evaluation and supplier performance. Specifically, the study found that supplier evaluation had a significant impact on supplier quality, delivery, and responsiveness.

Ahmad, Asmat-Nizam, and Tariq (2018) examined how supplier assessment affects Malaysian manufacturing enterprises. The quantitative study surveyed 120 firms. Supplier evaluation-using Malaysian manufacturing enterprises were the focus. Convenience sampling selected firms based on availability and willingness to participate. The sample size was 120 firms, and the data were collected through self-administered questionnaires. The findings indicated a positive relationship between supplier evaluation and organizational performance. The study found that supplier evaluation had a significant impact on supplier quality, delivery, cost, and innovation.

Another study by Chong, Zhang and Ma (2019) investigated the impact of supplier evaluation on the environmental performance of Chinese manufacturing firms. The quantitative study surveyed 180 firms. Chinese manufacturers with supplier assessment programs were targeted. The study chose organizations by size and industry using stratified sampling. The sample size was 180 firms, and the data were collected through self-administered questionnaires. The findings indicated a positive relationship between supplier evaluation and environmental performance. Specifically, the study found that supplier evaluation had a significant impact on environmental compliance, resource efficiency, and pollution prevention.

A study by Choi, Lee and Choi (2019) investigated the impact of supplier evaluation on the innovation performance of Korean manufacturing firms. The quantitative study surveyed 150 firms. Korean manufacturers with supplier assessment programs were targeted. Convenience sampling selected firms based on availability and willingness to participate. The sample size was 150 firms, and the data were collected through self-administered questionnaires. The findings indicated a positive relationship between supplier evaluation and innovation performance. Specifically, the study found that supplier evaluation had a significant impact on innovation capability, new product development, and speed to market.

III. METHODS

This study adopted a descriptive research design. The unit of analysis was 10 departments in the County Government of Nakuru. The unit of observation was top and middle level employee working in procurement and finance departments. This included 35 procurement and 47 finance officers working in the 10 departments in the County Government of Nakuru. Since the target population was manageable the study adopted census techniques to incorporate all the targeted respondent's Primary data was collected using questionnaire. A pilot study was conducted in Kericho County. Content validity was done by the experts in the University. Their comments were used to improve on the instruments. Reliability of the instruments were determined using Cronbach Alpha.

Items with reliability co-efficient of at least 0.70 was accepted as valid and reliable in this research. The data that was collected in this study was quantitative in nature. Quantitative data was analysed using SPSS. The study used descriptive and inferential statistics. Percentages, frequencies, means, and standard deviations are descriptive statistics. Inferential statistics use correlation and multiple regression analyses. Statistical tables presented study results.

IV. FINDINGS AND RESULTS

DESCRIPTIVE STATISTICS

Data was first analyzed descriptively before making inferences of the descriptive data through various regression statistics. It was therefore important to explain how the mean values were interpreted throughout this study. The respondents were required to use the 5-point Likert scale which was interpreted using the ranges of 4.3-5=Strongly Agree; 3.5-4.2=Agree; 2.6-3.4=Undecided; 1.9-2.6=Disagree and 1-1.8=Strongly Disagree (Nemoto&Beglar, 2014; Joshi, Kale, Chandel& Pal, 2015). In addition to the use of the mean to gauge the level of each item, the corresponding standard deviation of each item was also reported to evaluate the level of variation (agreement or disagreement) regarding each variable of the respondents.

4.5.1 Supplier Evaluation on Procurement Performance

The respondents were asked to indicate their level of agreement on the extent to which effect of supplier evaluation on procurement performance of Nakuru county government, Kenya. The findings are presented in Table 4.7

Table 4. 1:Supplier Evaluation on Procurement Performance

Statement	SAA U D SD				Mean	Std
	%	%	%	%		
Nakuru County Government assess supplier technical capacities like expertise and resources which enhances procurement performance	26	47	17	100	3.88	0.907

Nakuru County assess	37	4513	5	0	4.1130.870
supplier technical capacity to ensure delivery of quality products which enhances procurement performance					
Nakuru County assess	55	423	0	0	4.5160.565
supplier technical capacity to ensure consistency and reliability of the goods and services procured					
Nakuru County assess	57	376	0	0	4.5000.621
supplier financial stability which helps in preventing procurement delays.					
Nakuru County Government	39	4411	6	0	4.1450.866
assess financial stability of the supplier when developing long term partnership for effective procurement performance.					
Financial stable suppliers	37	3410	163		3.8551.185
adhere to the County payment terms which enhances procurement performance					
Nakuru County Government	55	348	3	0	4.4030.778
evaluates supplier lead time which ensures timely delivery of goods.					
Nakuru County selects	44	467	3	0	4.3070.738
supplier with short lead time which enhances procurement operational efficiency.					

Table 4.7 observed that majority of the respondents with a mean of 3.887 and the standard deviation of 0.907 were n agreed that Nakuru County Government assess supplier technical capacities like expertise and resources which enhances procurement performance. The study also found out that majority of the respondents with a mean of 4.113 and the standard deviation of 0.870 agreed that Nakuru County assess supplier technical capacity to ensure delivery of quality products which enhances procurement performance. In addition, majority of the respondents with a mean of 4.516 and the standard deviation 0.565 agreed that Nakuru County assess supplier technical capacity to ensure consistency and

reliability of the goods and services procured. The study findings are in line with the findings of Matloub and Raid (2018) who found that assessing supplier technical capacity is a crucial step in the procurement process to ensure the consistency and reliability of the goods and services procured. By evaluating a supplier's technical capabilities, organizations can make informed decisions and mitigate potential risks associated with supplier performance.

The findings further indicated that majority of the respondents with of mean 4.500 and the standard deviation of 0.621 were in agreement that Nakuru County assess supplier financial stability which helps in preventing procurement delays. In addition, majority of the respondents with a mean of 4.145 and the standard deviation of 0.866 agreed that Nakuru County Government assess financial stability of the supplier when developing long term partnership for effective procurement performance. According to the finding's majority of the respondents with a mean of 3.855 and a standard deviation of 1.185 agreed that financial stable suppliers adheres to the County payment terms which enhances procurement performance. The study finding is in line with those of Ahmed and Faruk (2019), who found that financial stability indicates that a supplier has a solid financial foundation and is likely to remain in business in the long term. By choosing financially stable suppliers, there is a reduced risk of disruptions in the supply chain due to bankruptcy, closure, or financial difficulties. This ensures a more reliable and consistent flow of goods or services, minimizing the chances of delays or interruptions in procurement operations.

Majority of the respondents with a mean of 4.403 and a standard deviation of 0.778 also agreed that Nakuru County Government evaluates supplier lead time which ensures timely delivery of goods. They further agreed with a mean of 4.307 and a standard deviation of 0.738 that Nakuru County selects supplier with short lead time which enhances procurement operational efficiency. The standard deviation ranged from 0.565 to 0.907 indicating that the dispersion of the respondents from the mean was minimal. The findings agree with the findings of Ambe and Badenhorst (2016) who found that selecting suppliers

with short lead times can indeed enhance procurement operational efficiency. Lead time refers to the time it takes for a supplier to fulfill an order from the moment it is placed by the buyer.

4.5.2 Linear regression for supplier evaluation

The study conducted linear regression to establish relationships between supplier evaluation and procurement performance. The findings were described as below.

Table 4. 2: ANOVAfor supplier evaluation and procurement performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.072	1	6.072	15.90	.037 ^b
	Residual	23.548	60	.392		
	Total	29.620	61			
a. Dependent Variable: Procurement Performance						
b. Predictors: (Constant), Supplier Evaluation						

Table 4.8 observed that supplier evaluation was not statistically significantly related to procurement performance $F(15.90)$, $p\text{-value} < 0.05$. The result confirms that the overall; regression model is significant for the data. Thus, the null hypothesis that stated that there was no significance relationship between supplier evaluation and procurement performance was rejected

Table 4. 3: Model Summary for Supplier Evaluation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.453 ^a	.205	.187	.61482
a. Predictors: (Constant), Supplier Evaluation				
b. Dependent Variable: Procurement Performance				

The findings indicated that the R-squared value was 0.205, indicating that supplier evaluation accounted for 20.5 percent of the variance in procurement performance.

Table 4. 4: Coefficientsfor instructional practices

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		

1	(Constant)	6.072	1	6.072	32.822	.000 ^b
	Supplier Evaluation	23.548	127	.185		

The study further established from the supplier evaluation value was found to be 23.548 showing that a unit increases in procurement performance, on the average, increase in supplier evaluation by 23.548 units indicating an proportional relationship. Further the study established that the calculated t-value for the relationship between supplier evaluation and procurement performance is given as 32.822 with an associated p-value of .000 since the p-value is less than 0.05 at 5% level of significance, the study concludes that supplier evaluation has a positive and significant influence on procurement performance. The regression equation for predicting procurement performance from the supplier evaluation was $Y=6.072+23.548X_1$

CONCLUSION

The study concluded that there is a moderate positive relationship between supplier evaluation and procurement performance in Nakuru county government, Kenya. The study also concluded that there was a positive and statistically significant correlation between supplier management and procurement performance of Nakuru county government, Kenya. This implies that better supplier management improves the procurement performance of Nakuru county government, Kenya.

RECOMMENDATIONS

In the light of the foregoing findings, the study recommends that: that County Government should develop clear evaluation criteria to establish objective criteria for evaluating supplier performance, such as quality, delivery time, pricing, responsiveness, and adherence to contractual terms. Ensure these criteria align with the county government's procurement goals and requirements. The study further recommended that the Nakuru County Government should regularly assess supplier performance by conducting periodic evaluations of suppliers based on the established criteria. Use a combination of

quantitative and qualitative measures, including performance metrics, feedback from internal stakeholders, and supplier self-assessments. This assessment will help identify top-performing suppliers and those needing improvement.

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