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An Assessment of Procurement Planning on the Efficiency of Procurement Function in Bungoma County

Jeremiah Wanyama Muchembi

Student, Jomo Kenyatta University of Agriculture and Technology, Kenya

Dr. Kadian Wanyama Wanyonyi

Lecturer, Kibabii University, Kenya

Abstract:

This study endeavoured to assess the effect of procurement planning on the efficiency of procurement function in Bungoma County. In the methodology, a case study and an explanatory research designs were used. The study targeted 225 employees, 115 departmental heads and 1,126 suppliers. The simple random and stratified sampling techniques were used to select the respondents. The questionnaires, interview schedules and telephone interviews were used to collect data. The three constructs of validity were used while reliability of the instruments was achieved by use of Cronbach Alpha method. The data was analysed at two levels; use of descriptive and inferential statistics. The results indicated that there was a positive and significant effect between procurement planning and the efficiency of procurement function. Therefore, identification and prioritization, participatory in planning, adherence to procurement plan and timely procurements were areas highlighted to be enhanced to realize better efficiency of procurement function. It was therefore recommended that the County Government of Bungoma should strengthen the procurement planning function in the County since it contains useful information

Keywords: Procurement planning, procurement function and Bungoma county

1. Introduction and Literature Review

According to Lynch (2018), procurement planning is the process of deciding what to buy, when and from what source. During the procurement planning process, the procurement method is assigned and the expectations for fulfillment of procurement requirements determined. Procurement planning has been arguably defined by various authors. Mullins (2003) previously argued that procurement planning is a process of determining the procurement needs of an entity and the timing of their acquisition and their funding such that the entities operations are met as required in an efficient way. According to Drabkin & Thai (2003), procurement planning is not concerned with future decisions but rather with the future impact of decisions made today and thorough planning is critical as agencies are always facing budget constraints that cannot satisfy all capital acquisition needs. Based on its definition, procurement planning has been defined differently by different authors.

Procurement planning plays vital roles in the organization as observed by Lynch (2018): It allows planners to determine if expectations are realistic; particularly the expectations of the user departments, which usually expect their requirements met on short notice and over a shorter period than the application of the corresponding procurement method allows; it offers an opportunity for all stakeholders involved in the processes to meet in order to discuss particular procurement requirements. These stakeholders could be end users, procurement department, technical experts, and even vendors to give relevant inputs on specific requirements. Procurement planning permits the creation of a procurement strategy for procuring each requirement that will be included in the procurement plan. Such strategy includes a market survey and determining the applicable procurement method given the requirement and the circumstances. From it planners can estimate the time required to complete the procurement process and award contract for each requirement. This is valuable information as it serves to confirm if the requirement can be fulfilled within the period expected, or required, by the requesting entity. The need for technical expertise to develop technical specifications and/or scope of work for certain requirements can be assessed, especially where in-house technical capacity is not available or is non-existent. Planners can assess feasibility of combining or dividing procurement requirements into different contract packages. These roles are clear indicators of the significance of procurement planning in an organization.

Procurement function in an organization includes administering any contract issued by an outside organization (the buyer) that is acquiring the organization from the performing organization (the seller), and administering contractual obligations placed on the organization by the contract (Belev, Berg and Doll, 2004). The effective procurement function should acknowledge complexity, find the right skills and organize the work, develop a sound strategy, manage timetable effectively, follow sound bid evaluation method and develop a smart, fair contract (Eduardo, 2004). Whenever there is proper and

accurate procurement plan of what goods, services and works to be procured, the benefits of efficient utilization of resources are obvious. The personnel involved in the acquisition process will be aware of the items that are required, the time when they are required, the methods that will be used, the people who are to be involved, and the approval levels, among others. This will make all the processes transparent and therefore it cannot create loopholes for corrupt tendencies as it would have been the case where planning was lacking (Basheka, 2008). Evolution of procurement has seen it move from being a mere processing task to a management and knowledge-based activity that supports good governance and enhanced accountability.

Studies have shown that proper planning of expenditure is an essential element of good procurement in any system. For example, in Uganda, an estimated 34% of the government expenditure takes place at the local government level (Agaba & Shipman, 2007), therefore a lot of precaution is taken to ensure that the procurement objective is met, that is, to provide quality goods and services through open and fair competition in the exact quantity and proper quality as specified; and delivered at the time and place where needed. It is therefore prudent to secure such goods and services at competitive prices and this requires accurate planning and involvement of a number of stakeholders.

Previous studies have shown that the procurement function of goods, works and services has been delayed according to the Procurement guideline (Velnampy and Kamalarupan, 2009). This has also been observed in the Government procurement process in Bungoma County where several constructions work such as building construction, road construction, tank maintenance, purchasing office equipment and vehicles and service contract such as security service, cleaning service, laundry service and maintenance service have not been properly done according to the specifications and desires of the stakeholders. It has been further observed that the bidding process encounters delays and failure to provide the supplies where and when they are needed. From the related literature reviewed, there is little or no documentation on the studies focusing on the procurement process affecting efficiency of procurement function in the Bungoma County. This will form the main concern of the study, which sought to assess the effect of procurement planning on the efficiency of procurement function in Bungoma County and thereby test the research hypothesis of the study that posit: There is no significant effect of procurement planning on the efficiency of procurement function in Bungoma County

Bailey, Farmer, Jessop and Jones, (1998) have argued that while top management must accept a large share of the blame for the lack of effective procurement activity, part of the fault often lies with the purchasing people. Presumably, if the function is seen as being of sufficient importance to the long-term operation of the company, then relevant staff would be involved at the right level. Involvement in planning necessitates a grasp of the operation of the business as a whole as well as a clear understanding of the complex relationships within the company with regard to materials, and what information is required by whom (Basheka, 2008). The powers of local authorities differ from country to country but in all cases, the powers include the procurement of certain types of goods and services necessary for providing the services they are responsible for (Jones, 2007). In Africa, public procurement is generally managed and its planning in particular takes place in an increasingly complex political, economic, social, cultural, and technological environment. Uganda's procurement management cannot be an exception. At a national level, local government procurement systems in Uganda do operate in rather challenging and complex political, economic, cultural, religious and technological contexts (Basheka, 2008).

The various stages in the local government procurement culminate into a procurement plan that should guide the government in the acquisition of goods, services and works for a particular financial year (Basheka, 2008). The procurement plan contains useful information including the method of procurement for each or group of requirements, total time the procurement process will take (lead time), realistic time (date) when each requirement will be required by the user, latest date when each procurement will be initiated by the user, financial year of initiation and financial year of payment of the procurement. The plan can be for user departments or a consolidate procurement plan and is the major output of the procurement planning process (Basheka, 2008).

Within the public sector, there is a broad range of accountabilities (Heeks, 1995) including managerial accountability to senior managers within the organization: - political accountability to those institutions that provide legitimacy of the organization, financial accountability to those institutions that provide the financing for the organization and public accountability-to citizens outside the organization. Interestingly, the decentralization literature posits three general forms of decentralization; which inherently mirror the types of accountability above-political decentralization, administrative decentralization and fiscal decentralization (Braun & Grote, 2000; Gurger & Shah, 2000). But the same literature indicates that only a few developing countries have adopted comprehensive political, fiscal and administrative decentralization (Elhiraika, 2006).

2. Methodology

This study was guided by case study design as well as explanatory research to understand the phenomena through the meanings that people assign to them and it aims at understanding the context (Bryman, 2001) of the factors affecting procurement function in the Bungoma County. This study was carried out in Bungoma County. Bungoma County is one of the former districts of Western province. The study targeted 225 employees, 115 departmental heads and 1,126 suppliers (Human Resource Management and Procurement of Bungoma County, 2014). Stratified sampling technique was used to categorise employees, departmental heads and suppliers. The simple random sampling was used to select 68 employees, 35 departmental heads and 113 suppliers so that each and every one in the target population has an equal chance of inclusion

from the target populations. The research instruments used for data collection were the questionnaire, interview schedules and telephone interviews of suppliers.

The research adopted the content validity to measure the validity of the instruments to be used. Cronbach Alpha Reliability coefficient value was computed which gave an alpha of 0.82. The threshold value acceptable in this study was $\alpha = 0.7$ and higher according to Creswell (2003); Mugenda and Mugenda (2003). Frequencies, percentage and means allowed the use of descriptive statistics and the results were presented in cross tabulation and frequency tables, pie charts and bar graphs. The second level of the data analysis involved inferential statistics where regression analysis was used to establish the association between study variables at 95% confidence level, p-value ± 0.05 . The inferential statistical tools were used to test null hypotheses at confidence interval level of 95% ($p < 5\%$ or $p > 5\%$).

3. Results

This sub-section looks at how procurement planning variables like need identification & prioritization, participatory in planning, adherence to procurement plan and timely procurements affect efficiency of procurement function in Bungoma County Government. This was the third objective. On the question asked whether procurement department describes and initiates procurement requirements, 14.7% of respondents strongly agreed, 51.5% were undecided, 25% of respondents disagreed while 8.8% strongly agreed. This Variable scored a mean of 3.38. Above average number of respondents (64.7%) were of the views that there was preparation of an annual and quarterly procurement work plan based on the approved budget, 5.9% of respondents were undecided, 23.5% disagreed while 5.9% strongly agreed. The question had a mean of 3.49. An average number of respondents (58.8%) indicated that there was adherence to procurement plan, 14.7% were undecided, 17.6% of respondents disagreed and 8.8% strongly disagreed. This had a mean of 3.34.

Variables	SA	A	U	D	SD	Mean
Procurement department describes and initiates procurement requirements	10(14.7%)	0(0.0%)	35(51.5%)	17(25.0%)	6(8.8%)	3.38
There is preparation of an annual & quarterly procurement work plan based on the approved budget	13(19.1%)	31(45.6%)	4(5.9%)	16(23.5%)	4(5.9%)	3.49
There is adherence to procurement plan	7(10.3%)	33(48.5%)	10(14.7%)	12(17.6%)	6(8.8%)	3.34
Timely procurement is highly exercised	6(8.8%)	26(38.2%)	4(5.9%)	17(25.0%)	15(22.0%)	2.95
Procurement plan guides the county government in the acquisition of goods/services	15(22.1%)	31(45.6%)	8(11.8%)	5(7.4%)	9(13.3%)	3.76

Table 1: Effect of Procurement Planning on the Efficiency of Procurement Function

N = 68; Strongly Agreed (SA = 5), Agree (A = 4), Not Sure (Ns = 3), Disagree (D = 2), Strongly Disagree (SD = 1)

On the question asked whether timely procurement is highly exercised, 47% of respondents agreed, 5.9% were undecided, 25% disagreed and 22% strongly agreed. The mean for this variable was 2.95. This was a pointer that timely procurement was not highly exercised in Bungoma County Government. When the respondents were asked whether procurement plan guides the county government in the acquisition of goods/services, 22.1% of respondents strongly agreed, 45.6% agreed, 11.8% were undecided, 7.4% of respondents disagreed while 13.3% strongly disagreed. This had a mean of 3.76. This implies that there the County Government of Bungoma has procurement plan that guides it in the acquisition of goods/services. Simple regression analysis was performed as illustrated in Table 2 at confidence interval of 95%. From results there was indication that procurement planning and efficiency of procurement function were positively and significantly associated ($b = 0.315$, t -value = 4.54, $p < 0.05$). The study findings were in line with what Drabkin & Thai, (2003) previously argued that procurement planning is a process of determining the procurement needs of an entity and the timing of their acquisition and their funding such that the entities operations are met as required in an efficient way. It has been argued that planning is not concerned with future decisions but rather with the future impact of decisions made today and thorough planning is critical as agencies are always facing budget constraints that cannot satisfy all capital acquisition needs.

Model	Regression Coefficient, B	T-Value	P-Value/ Sig.
Procurement department describes and initiates procurement requirements	0.260	5.109	0.000 (s)
There is preparation of an annual & quarterly procurement work plan based on the approved budget	0.246	3.297	0.001 (s)
There is adherence to procurement plan	0.441	5.755	0.000 (s)
Timely procurement is highly exercised	0.362	5.214	0.000 (s)
Procurement plan guides the county government in the acquisition of goods/services	0.267	3.312	0.001 (s)
Overall effect	0.315	4.54	<0.05 (s)

*Table 2: Effect of Procurement Planning on the Efficiency of Procurement Function
N = 68; S-Significant With P-Value ≤ 0.05 And Ns-Not Significant with P-Value ≥ 0.05*

Therefore, the hypothesis, which states that there is no significant effect of procurement planning on the efficiency of procurement function in Bungoma County was rejected on the ground that a positive and significant association was established at $p < 0.05$. In summary, this study established that procurement planning has positive and significant effect on employees' performance in Bungoma County Government.

4. Conclusions

The study concluded that procurement planning and efficiency of procurement function were positively and significantly associated. This could be interpreted to mean that need identification and prioritization, participatory in planning, adherence to procurement plan and timely procurements should be enhanced to realize better efficiency of procurement function

5. Recommendations

The study recommended that procurement planning should be heightened in Bungoma County Government since it contains useful information including the method of procurement for each or group of requirements, total time the procurement process will take (lead time), realistic time (date) when each requirement will be required by the user, latest date when each procurement will be initiated by the user, financial year of initiation and financial year of payment of the procurement.

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