

**ASSESSMENT OF PARTNERSHIP SOURCING ON PERFORMANCE OF  
THE PROCUREMENT FUNCTION IN SELECTED UNIVERSITIES IN  
NAKURU COUNTY, KENYA**

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## **DECLARATION AND APPROVAL**

### **DECLARATION**

I declare that this research project is my original work and has not been presented for a degree or other award in any other university.

**John Langat Ndugi** .....  
.....

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### **APPROVAL**

This research project has been submitted for examination with my approval as university supervisor.

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.....

**Lecturer, JKUAT Signature**      **Date**

## **DEDICATION**

I dedicated this work to my dad who has been great mentor, financier and driving force towards my career progression and to my entire family members for their support throughout my studies.

## **ACKNOWLEDGEMENT**

First and foremost, I wish to thank God for his care, inspiration and encouragement throughout my study. Secondly, I profoundly acknowledge and thank my supervisor Dr. Kwasira for his guidance and encouragement towards my academic achievements and all the lecturers who have tutored me during my studies. I also appreciate my classmates and the entire JKUAT Nakuru CBD Campus staff for their support.

Thank you all and may God bless you abundantly.

## **LIST OF ABBREVIATIONS AND ACRONYMS**

<b>EC</b>	: European Community
<b>ESI</b>	: Earlier Supplier Development
<b>KIPPRA</b>	: Kenya Institute for Public Policy Research and Analysis
<b>OJEC</b>	: Official Journal of European Community
<b>PPARB</b>	: Public Procurement Administrative Review Board
<b>PPDA</b>	: Public Procurement and Disposal Act
<b>PPOA</b>	: Public Procurement Oversight Authority
<b>PPOB</b>	: Public Procurement Oversight Board
<b>UK</b>	: United Kingdom

## TABLE OF CONTENTS

<b>DECLARATION AND APPROVAL.....</b>	<b>ii</b>
<b>DEDICATION.....</b>	<b>iii</b>
<b>ACKNOWLEDGEMENT.....</b>	<b>iv</b>
<b>LIST OF ABBREVIATIONS AND ACRONYMS .....</b>	<b>v</b>
<b>LIST OF TABLES .....</b>	<b>viii</b>
<b>LIST OF FIGURES .....</b>	<b>ix</b>
<b>DEFINITION OF TERMS.....</b>	<b>x</b>
<b>ABSTRACT.....</b>	<b>xi</b>
<b>CHAPTER ONE .....</b>	<b>1</b>
<b>INTRODUCTION.....</b>	<b>1</b>
1.1 Background of the Study .....	1
1.2 Statement of the problem .....	4
1.3 Objectives of the study.....	5
1.4 Research Hypotheses .....	5
1.5 Significance of the study.....	6
1.6 Scope of the study.....	6
<b>CHAPTER TWO .....</b>	<b>7</b>
<b>LITERATURE REVIEW .....</b>	<b>7</b>
2.1 Introduction.....	7
2.2 Theoretical Review .....	7
2.3 Conceptual Review .....	10
2.4 Conceptual framework.....	17
2.5 Summary of Reviewed Literature .....	18
2.6 Research Gaps.....	19
<b>CHAPTER THREE.....</b>	<b>20</b>
<b>RESEARCH METHODOLOGY .....</b>	<b>20</b>
3.1 Introduction.....	20
3.2 Research design .....	20
3.3 Target population .....	20
3.4 Sample Size and Sampling Technique.....	21
3.5 Research Instruments .....	22
3.6 Data collection procedure .....	23
3.7 Pilot Testing .....	23

3.8 Data Processing and Analysis .....	24
<b>CHAPTER FOUR.....</b>	<b>26</b>
<b>RESEARCH FINDINGS AND DISCUSSION.....</b>	<b>26</b>
4.1 Introduction.....	26
4.2 Response rate .....	26
4.3 Bio-data of respondents .....	26
4.4 Descriptive Analysis .....	29
4.5 Inferential Statistics .....	36
<b>CHAPTER FIVE .....</b>	<b>44</b>
<b>SUMMARY, CONCLUSION AND RECOMMENDATIONS .....</b>	<b>44</b>
5.1 Summary of the findings.....	44
5.2 Conclusions.....	45
5.3 Recommendations of the study .....	46
5.4 Recommendation for Further Research .....	47
<b>REFERENCES.....</b>	<b>48</b>
<b>APPENDICES .....</b>	<b>54</b>

## LIST OF TABLES

<b>Table 3.1:</b> Sample distribution .....	22
<b>Table 4.2:</b> Age of the respondents .....	27
<b>Table 4.3:</b> Age of respondents .....	27
<b>Table 4.4:</b> Level of education .....	28
<b>Table 4.5:</b> Levels of management .....	28
<b>Table 4.6:</b> Duration of time in service .....	29
<b>Table 4.7:</b> Impacts of shared goals.....	29
<b>Table 4.8:</b> Contractual agreement .....	31
<b>Table 4.9:</b> Roles of communication in procurement.....	34
<b>Table 4.10:</b> Measure of adherence to PPOA in procurement function .....	36
<b>Table 4.11:</b> Relationship between shared goals and performance in procurement function .....	36
<b>Table 4.12:</b> T-test of relationship between shared goals and performance of procurement .....	37
<b>Table 4.13:</b> Relationship between contractual agreement and performance in procurement .....	38
<b>Table 4.14:</b> t-test on effects of contractual agreement on performance of procurement .....	39
<b>Table 4.15:</b> Relationship between communication and performance of procurement function .....	39
<b>Table 4.16:</b> Results of t-test on effective communication and performance of procurement .....	40
<b>Table 4.17:</b> Model Summary .....	41
<b>Table 4.18:</b> Regression Coefficients .....	42

## **LIST OF FIGURES**

<b>Figure 2.1:</b> Conceptual framework adopted .....	17
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## **DEFINITION OF TERMS**

<b>Contracting</b>	: The design and implementation of contractual relationship between purchaser and supplier (Domberger, 1998)
<b>Outsourcing</b>	: The process of entering into a contractual agreement with a supplier concerning service provision that has so far been provided in-house (Pearce& Robinson, 1997).
<b>Partnership sourcing</b>	: Implies a radical change in the way people work, including teamwork, joint decision making, and collaborative activity (Boddy et al., 1998).
<b>Partnership</b>	: Partnership is a commitment to both customers and suppliers, regardless of size to a long term relationship based on the clear mutually and agreed objective to strive for the world class capability (Lysons& Farrington, 2006).
<b>Procurement function</b>	: Process of risk assessment, seeking and evaluating alternative solutions, contract award, delivery of and payment for the property and/or services and, where relevant, the ongoing management of a contract and consideration of options related to the contract (Waters, 2004).
<b>Sourcing</b>	: Sourcing is the process whereby potential suppliers are identified before a purchase is made; effective sourcing requires sound knowledge of the suppliers markets and individual suppliers (Gray, 1989).

## **ABSTRACT**

Sourcing in procurement has evolved from a traditional purchasing approach which was mainly opportunistic and transactional based where organizations used to purchase in response to immediate needs, choosing freely from among all the suppliers that can supposedly meet those needs to one that is futuristic and uses plans and strategies. However, in modern era there is growing interest in creating a partnership sourcing that is focused on future stability. The purpose of this study was to assess the effect of partnership sourcing on performance of the procurement in selected university campuses in Nakuru County. The target population of the study comprised of 400 employees and sample size comprised of 80 employees. These employees were drawn from departments related to procurement functions. Data was analyzed using descriptive statistics such as frequency, percentages and inferential statistics; Pearson Chi-square test. The results shows shared goals leads to improved flexibility (40%) and improvement of cash flow (48%) within the procurement functions in the campuses surveyed. Moreover, contractual agreement was evident in almost all campuses surveyed (96%) but a significant section of the respondents could not tell exactly the kind of procurement contractual relationships (38%). There were positive correlation between shared goals and performance of procurement function though not significant ( $p=0.121$ ). Contractual agreement contributes to supplier loyalty and commitment. The null hypothesis was rejected and concluded that contractual agreement contribute positively towards supplier loyalty and commitment ( $P=0.001$ ). These contractual agreements however do not always comes with affirmative benefits but sometimes with shortcomings such as the amount of time and effort involved in building this trust. It also results in that higher switching costs if problems were to arise with the supplier and there is a sharing of proprietary information, strategy, planning, and goals. Finally, it was concluded that effective communication had a positive correlation to procurement ( $P\text{-value}=0.012$ ). The study recommends that policy and practice for procurement should be carefully evaluated and the results of that evaluation fed back into improved approaches in the relevant sectors of the procurement to embrace shared goals, contractual agreements and communication strategy. Contractual relationships between the university and source partners must be supported from the entire organization. More importantly, for a procurement organization to operate both efficiently and effectively in such a complex environment communication strategy need to be created and suitable instruments put in use.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the Study**

Partnership is a procurement process practices in organizations that aim at reducing cost to achieve favorable business outcome. It is characterized by an alliance that includes close working relationship between the organization and the customer, built on trust, communication and mutual dependency. According to Lysons & Farrington (2006), partnership is a commitment to both customers and suppliers, regardless of size to a long term relationship based on the clear mutually and agreed objective to strive for the world class capability. Partnership marks a shift from traditional pressure extended by large or small scale and medium sized suppliers in which the latter were regarded as suppliers. Over the last several years, organizations have become interested in the concept of partnership sourcing.

Partnership sourcing represents a collaborative approach in which a buying organization and a small number of its suppliers work closely together, sharing the risks and rewards of a cooperative relationship that focuses on continuous improvement (Farrell, 2010). It is argued that partnership sourcing leads to superior performance because it creates long-term collaboration based on trust between the buyer and the supplier. Partnership sourcing implies a radical change in the way people work, including teamwork, joint decision making, and collaborative activity. Partnership sourcing implies changes to the social systems of at least two organizations, with the scope for resistance being considerable (Boddy *et al.*, 1998).

The philosophy of partnership sourcing differs considerably from the traditional adversarial model of buyer-supplier relations. In a partnership, customer and supplier commit to continuous improvement and shared benefits. For example, in the area of new-product development, customers and partners have a high level of collaboration and a long-term perspective. Organizations such as Chrysler are selecting suppliers at the concept stage of new-product development and giving the supplier the supply contract for the life of the product (Dyer, 1996). The supplier becomes a strategic resource and an extension of the customer in the design process, enabling the customer to capitalize upon the supplier's design expertise and capacity for innovation (Farrell, 2010)

.Also, the focus in the relationship moves away from price to the customer and the supplier working jointly to reduce total supply chain costs (McIvor& McHugh, 2000). For example, the partners operate open-book arrangements in which the customer requires the supplier to share component cost information.

The Just-In-Time (JIT) philosophy is closely linked to partnership sourcing. The success factors of JIT are very closely related to the conditions that favor partnership sourcing (Gelinaset al., 1996). Under such an arrangement, the buying firm and the supplier are expected to work together to satisfy specific clients' needs and expectations, to achieve better cost control, and to reduce inventory. Many attempts at partnering have failed; there is evidence to suggest that organizations have not achieved the desired benefits from partnership sourcing (McIvor & McHugh, 2000).

Also, serious concerns have been expressed over organizations that have embarked upon partnership sourcing without fully understanding the concept (Cox, 1996). Doubts have also been expressed about the interpretation of buyer-supplier relationships in the Japanese automotive industry that led to interest in lean production by Western organizations. Equally, the interpretation of partnership sourcing by Western organizations has, in many cases, been shown to be misleading, with buyers often retaining considerable economic power in comparison with suppliers (Van Weele, 1994). Such evidence increases the likelihood of partnership sourcing suffering a backlash similar to those that have followed total quality management and business process reengineering.

For example, (Cox 1996) has expressed serious reservations over the purchasing and supply profession becoming concerned with "fashionable concepts or ideas (fads)" such as partnership is sourcing and network sourcing. New concepts and fads tend to be adopted by practitioners under pressure to demonstrate knowledge and expertise, but who do not have time to assess the applicability to their particular business situation. Also, partnership sourcing is only one concept creating change in purchasing. Extensive change is also created by supplier development (Krause & Ellram 1997), total cost management (Ellram, 1996), early supplier involvement (ESI) (Dowlatshahi1998), and outsourcing (Quinn & Hilmer 1994). A common theme coming from purchasing practitioners is that these changes are difficult to implement and sustain over the longer term (Abdullah *et al.*, 2009).

### **1.1.1 The concept of sourcing**

According to Gray (1989), sourcing is the process whereby potential suppliers are identified before a purchase is made. Effective sourcing requires sound knowledge of the suppliers markets and individual suppliers. Supplier should be technically competent and financially stable. They should also have a good reputation and operating sound health and safety policies. At this stage references may need to be sought out until procurement office produces approved list of suppliers. The following sources should be considered; using suppliers whose services the user has previous experience, introducing new, untested suppliers on to the tender list does carry a potential risk as there is on prior experience as to how they work. Obtaining reference is one way to help minimize or reduce this risk.

Suppliers who have not been selected to submit tender may not feel they have been treated unfairly. It must be remembered that there is a limit of the number of tenders that can be accepted from a particular supplier, obtaining recommendations from colleagues, other users in the sector or by email, via the procurement office. Consulting relevant catalogues or trade directions containing professional trade organizations and advertising the requirements in the appropriate trade journals and as long as each tender is treated fairly from the onset, this problem should not arise.

A list of tenders should be drawn up for sending up questionnaires and or use of other public sector organizations approved list. For purchases which exceed the European Community (EC) threshold, specific procedures must be followed. There are regulations to prevent advertising in the United Kingdom (UK) before a notice is dispatched to the office for official publications of the European Communities for notification of tenders to be published in the supplement to the Official Journal of European Communities (OJEC).

### **1.1.2 Procurement function**

According to Porter (1996) envisioned that procurement functions includes purchasing inputs such as materials, supplies and equipment. The factors that influence procurement will therefore include the ability of the organization in obtaining alternate resources, the timely efficiency of procuring resources, the current adequacy of existing procurement channels and the acceptable levels of quality of procured goods/services. Procurement function encompasses the whole process of acquiring property and/or services. It begins when a procurement entity has identified a need and decided on its procurement requirement.

Procurement functions continues through the processes of risk assessment, seeking and evaluating alternative solutions, contract award, delivery of and payment for the property and/or services and, where relevant, the ongoing management of a contract and consideration of options related to the contract (Waters 2004). Procurement audits by the PPOA in selected public universities revealed that some public universities had attained the minimum threshold compliance by a marginal gap while others had not (PPOA, 2011).

According to Thai (2001), the basic principles of good procurement practice include accountability; where effective mechanisms must be in place in order to enable procuring entities spend the limited resources carefully. It is also about knowing clearly that they are accountable to members of the public; competitive supply, which requires the procurement be carried out by competition unless there are convincing reasons for single sourcing; and consistency, which emphasizes the equal treatment of all bidders irrespective of race, nationality or political affiliation.

### **1.2 Statement of the Problem**

Partnership sourcing in supply chain management in an organization is a very important component in the success of procurement functions. The logic of this trend is that a company increasingly focuses on those activities in the value chain where it has a distinctive advantage, and outsources everything else. Whether organizations get value for their money or not depends a great deal on the partners and suppliers it selects to do business with. Identifying the source of materials or, services is a strategic issue of every organization.

Evaluation of partners and suppliers before selecting them can significantly improve the performance of the procurement function in carrying out its mandate. This implies the need for interventions to improve compliance and efficiency in procurement in public universities. Selected public universities in this study appraise all interested partners before working with them. Despite these effort reports by internal and external auditors, internal performance reports as well as reports by hired consultants hired to evaluate performance levels within the organization, have indicated that performance of the procurement function is directly affected by the partnership outsourcing appraisal. This research sought to assess the effects of partnership outsourcing on performance of the procurement function at selected university campuses.

### **1.3 Objectives of the study**

#### **1.3.1 General Objective**

The general objective of the study was to carryout assessment of partnership sourcing on performance of the procurement function at the selected universities.

#### **1.3.2 Specific Objectives**

- i. To determine the effect of shared goals in partnership sourcing on performance in procurement function at selected universities, Nakuru County,
- ii. To assess the effect of contractual agreement in partnership sourcing and procurement function at selected universities,
- iii. To assess the role of effective communication in partnership sourcing in procurement function at selected universities.

### **1.4 Research Hypotheses**

**H<sub>0</sub>:** Shared goals have no impacts on partnership sourcing on performance in procurement function.

**H<sub>0</sub>:** There is no significant relationship between contractual agreement and the performance of the procurement function in selected universities.

**H<sub>0</sub>:**Effective communicationbetween procurement function andpartnership sourcing has no significant effect on the performance of the procurement function

### **1.5 Significance of the Study**

The study will enable organizations to understand better the problems arising from partnership sourcing; the researcher provides the basis to the organization for formulating and implementing partnership sourcing to overcome these problems. This study is useful to procurement officers in extending knowledge of effective sourcing in monitoring, evaluation of the sourcing and management of effective suppliers to the organization. Government organizations will also gain an insight information from the basis of this study on matters of resource allocation, distribution, and audits. The importance of shared goals, contractual agreement and roles of communication will provide information to policy developers both in private and public sectors in decision making, and improving the performance in procurement units. Finally, this study will be useful to non-governmental organizations when providing financial and technical education programs and to act as a reference material for scholars and research scientists.

### **1.6 Scope of the Study**

The study focused on the assessment of partnership sourcing on performance of the procurement function at selected university campuses. Assessment specifically focused oninfluence of selected variables; shared goals, contractual agreement and communications on the performance of the procurement sections. In each of this variables, four point Likert scale was developed. The study was conducted in procurement units in selected university campuses; Egerton, Kenyatta, Nairobi and Jomo Kenyatta. It was conducted for duration of three months with a budget of Ksh 150, 000. Questionnaires were circulated to staff in the departments related to procurement function.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This section makes a review of what other researchers have done in the key areas of partnership sourcing on performance of procurement function. The researcher sources the literature materials from academic journals and books which in depth detail on an assessment of partnership sourcing on performance in procurement function. A conceptual framework is also included independent variables and how they affect the dependent variable. Also include the critique of literature and the summary of the chapter.

#### **2.2 Theoretical Review**

The researcher reviewed some literature on the theoretical framework for decision making in the modern organizations.

##### **2.2.1 Resource-Based View Theory**

The core premise of the resource-based view is that resources and capabilities can vary significantly across firms, and that these differences can be stable (Abdullah *et al.*, 2009). If resources and capabilities of a firm are mixed and deployed in a proper way, they can create competitive advantage for the firm. The resource-based view in outsourcing builds from a proposition that an organization that lacks valuable, rare, inimitable and organized resources and capabilities, shall seek for an external provider in order to overcome that weakness. The essence of the resource-based theory of the firm lies in its emphasis on the internal resources available to the firm, rather than on the external opportunities and threats dictated by industry conditions. Firms are considered to be highly heterogeneous, and the bundles of resources available to each firm are different.

This is both because firms have different initial resource endowments and because managerial decisions affect resource accumulation and the direction of firm growth as well as resource utilization (Lowendahl, 2000). The resource-based theory of the firm holds that, in order to generate sustainable competitive advantage, a resource must provide economic value and must be presently scarce, difficult to imitate, non-substitutable, and not readily obtainable in factor markets. This theory rests on two key points.

First, that resources are the determinants of firm performance and second, that resources must be rare, valuable, difficult to imitate and non-substitutable by other rare resources. When the latter occurs, a competitive advantage has been created (Priem & Butler, 2001). Resourced-Based View Theory provides decision-makers in the universities with a more refined set of criteria on which to base their sourcing decisions. Also, it is interesting for managers and sourcing committees to have access to a broader range of documented sourcing mode choices. In addition, by taking into account the effective availability of resources within the firm and their strategic value, managers and sourcing committees in the universities can be more attentive to the long-term consequences of their sourcing decisions.

### **2.2.2 Agency Theory**

The focus of the agency theory originally was on the relationship between managers and stakeholders (Jensen & Meckling, 1976), but had spread over the time on explaining the relationship between two inter-firm subjects. In that context we associate the agency theory to understanding the relationship between outsourcer and vendor. Sources of the agency problem, moral hazards and adverse selection (Arrow, 1985) should be resolved by monitoring and bonding (Barney & Hesterly, 1996). According to Haines (2009) agency theory is concerned with resolving two problems that can occur in agency relationships.

The first is the agency problem that arises when the desires or goals of the principal and agent conflict and it is difficult or expensive for the principal to verify what the agent is actually doing. The second is the problem of risk sharing that arises when the principal and agent have different risk preferences. These problems are well known in outsourcing; an example might be that the client organization wants to reduce its costs; while the vendor organization wants to maximize profits. The agency problem arises when the two parties do not share productivity gains. The risk sharing problem might be the result of different attitudes towards the use of new technologies.

Given the difficulties of behavior-based contracts suggested by agency theory, it is reasonable assuming that the overwhelming majority of clients would insist on outcome-based contracts (Gottschalk & Solli-Seether, 2006). Applying Agency Theory in public universities to the context of outsourcing requires the transformation of the principal/agent relationship to an outsourcer/sourcing provider relationship. Public universities and the sourcing team in particular therefore should ensure the selection of an unsuitable vendor is avoided (pre-sourcing). After establishing the sourcing partnership problems of hidden action have to be prevented. Out sourcing is less favorable if agency costs can be assumed to be high.

### **2.2.3 Systems Theory**

This theory was first applied in the fields of science and engineering before finding its way into management in the late 1950s. The systems theory is not a set of principles for managing, but a way of thinking about organization and management. An organization is a system with many sections that are interrelated. These sections are affected in their operations by factors that are either internal, external or both. Systems can either be closed or open; most if not all organizations are open systems meaning that they are dependent on the external environmental factors for survival (Parry & Roehrich, 2009).

Deming, (1986) defines system as a series of functions or activities within an organization that work together for the aim of attaining the organization objectives, further he says "the flow of material and information from any part of the system must match the input requirements of the next stage". The organization receives inputs from the outside world which it then transforms into output and takes it back to the world for use. An organization will need suppliers to provide the input it requires. The inputs could either be materials, information or even human capital. Lack of sufficient outsourced partners will mean that the organization will not meet its operational capacity and thus will not be effective in its operations.

Systems theory is very significant in procurement as it clearly demonstrated the interrelationship of the organization and its environment. Proper management of that relationship ensures that the conversion process of inputs to outputs is smooth.

Systems theory views the management in totality and helps in seeing the problems of the organization in a wider perspective (Deming, 1986). The systems approach is very useful to universities as it guide in managerial decision making. By understanding that the organization must obtain inputs from suppliers, the procurement manager was better placed to ensure that outsourced supplier selection is done thoroughly by the universities. The result was a highly efficient procurement function that serves the organization well. The approach provides a framework through which organization-environment interaction can be analyzed before a decision is made.

## **2.3 Conceptual Review**

It is a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation. The interconnection of these blocks completes the framework for certain expected outcomes.

### **2.3.1 Shared goals**

Traditional procurement methods which include aggressive bidding and negotiation often caused lack of trust, poor quality, bad service and stiff prices. Lewis (1995) asserted that if each part of the supply chain sees itself as an investor these consequences will not appear. He further indicates that working co-operatively with the supplier helps an organization to maximize benefits and argues that the cooperation between the purchaser and the supplier, unleash a capacity for innovation that far outweighs the short term cost savings offered by arm's length competitive bidding. Therefore the shared goal of partnership sourcing is to achieve greater benefits through good supplier buyer relationships.

According to Kern and Willcocks (2001) "every relationship is launched with particular guiding objectives, reasons, and intentions" behind its instigation, formation, and maintenance. Whatever the reasons, since the decision to outsource has a lasting impact on the organization, executive management should make the decision with long-term objectives in mind. As part of the strategy, it is important for client organizations to determine what they are outsourcing, what their goals and objectives are, and why they are outsourcing (Shawn *et al.*, 2003). Supplier evaluation is a critical success factor in the outsourcing process.

A client organization can build an effective relationship by understanding the supplier's competencies as part of its evaluation process. However, evaluation requires more than a quick review of the supplier's capabilities and prior engagements. Although each organization may have different methods for assessing supplier capabilities, the evaluation provides a means to determine whether a potential supplier is able to deliver a solution based on the defined requirements (Lee, 1999). According to Sadler (2003), partnership sourcing is an element of competitive strategy of an organization and is developed and implemented with the intention to provide benefits.

Shared goal of a successful partnership is reducing stock times, shortening lead times, achieving greater flexibility, improving the cash flow and lowering administrative costs. In addition this approach aims to improve the quality of the information and its flow which leads to successful long-term planning, innovation and technological development. However partnership won't work unless the limitations and possible problems are diagnosed and managed the way it should be (Sadler, 2003)

### **2.3.2 Contractual agreement**

The sense of mutual interdependence between the buyer and the supplier brings about a long term relationship between the two parties concerned. However in order to achieve higher buyer commitment and supplier loyalty, both parties have to perceive that there is a souring level of strategic fit between them and this could be achieved by having contractual agreement among the parties. Therefore for the buying party the initial phase of undertaking a partnering relationship should be the analysis of the value of the value of the supplier considering its long term purchasing needs. Contracts are usually multi-million dollar deals with procurement performance clause (Manion, Baurkett & Wiffen, 2010).

Typically, contracting out is used for fairly low-level ancillary services such as cleaning and managing washroom hygiene. This is a short-term, tactical solution, all too often initiated not because the process fits in with the organization's perspective of how it wants to develop strategically, but rather because it needs to find an urgent means of dealing with a problem (Manion, 2010). However by forming close partnerships with suppliers, purchasers have realized that development of the suppliers to meet its demands is expensive and time consuming. This is a reassuring factor for supplier as expenditure is considered to be a necessity of partnership and trust.

Trust is seen to be more difficult to build if the buyer and supplier have a record of adversarial negotiations. The suppliers and the purchasers have to work closely to reduce cost and improve quality. A successful partnership relationship arises from a substantial amount of trust. Outsourcing contracts target a minimum of 15 % cost reductions, sometimes even going up to 20 or 25% (Lankford & Parsa, 1999) to achieve these targets, requires multi-year agreements so that economics of scale and cost cutting measures can take effect. The pressure to keep bids low and to turn a profit over the lifetime of a contract leads contractors in outsourced services to cut the pay, pensions and terms and conditions of staff, leading in turn of deterioration in services. This represents a significant threat to the reputation of the university.

The decisions being made by the management of the university have far-reaching consequences. The university needs to get this right, now. As the representative bodies of all the staff and all the students consider mandating the university management to pause its competitive dialogue process, release to the unions the requisite financial information and actively address the unions' deep concerns about the failures of process thus far in order that we can move forward together in the spirit of collaboration for the future good and sustainability of our university (Biggso, 2012).

According to Cry (1999) states that in any kind of alliance between two organizations building trust is necessity for success. When there is a level of trust between the purchaser and supplier, both parties believes that the other is committed to mutual success. According to Butter (1999) asserts that the level of complexity of negotiations for agreement, between the supplier and the buyer decreases when both parties trust each other. This allows organizations to get rid of the concerns regarding each other's behavior and to communicate more important matters rather than losing time on discussing small details. Thus, negotiations consume less time and resources with mutual trust.

According to Domberger (1998) contracting is the design and implementation of contractual relationship between purchaser and supplier. The contract specifies the purpose of the relationship, the contribution to be made by the supplier, and the arbitration procedures in case of disputes. However, often, it is difficult to define services in quantifiable terms. Organizations should build specific service level agreements (SLAs) and flexibility into their contracts. Many organizations define their SLAs poorly; they do not spend enough time and effort understanding the activities to be out sourced or identifying both business and technical requirements.

Mostly, the focus of their SLAs is on technical requirements, while, in turn, performance measures are based on technical definitions instead of on business rules. Consequently, the service outcome does not satisfy users, whose dissatisfaction may weaken the relationship. Often, organizations do not have enough expertise to build a sound contract with appropriate flexibilities. The contract must be capable of evolving over time; flexibility is fundamental at contractual level. Indeed, a well-developed contract greatly influences the resulting efficacy of the relationship, and a robust development process for creating contracts is one of the critical success factors in outsourcing relationships (Shawn *et al.*, 2003).

### **2.3.3 Purpose of effective Communication**

Suppliers appreciate it when the purchasing organization use collaborative communion (indirect influence of strategy, formality and feedback) to communicate and perceive this as a mechanism to enhance their relationship. The suppliers expect commitment, loyalty and long life from their relationship with the purchasing organization can influence the suppliers' commitment through improved communication and relationship development. They further indicate that this development comprises of improving cooperation, problem solving and reflecting commitment, loyalty and aspiration to proceed with the partnership for a significant amount of time.

When the necessary measure of partnership sourcing is taken and fully implemented, the quality and reliability of the data exchanged between the two parties is significantly improved. The most important aspect of this relationship was the improvement of communications. The purchaser and the supplier were able to talk through the problems they have and try to resolve any kind of problems with pure and mutual consent (Aksin & Masini, 2008). The capability to successfully manage supplier relationships spans the organization; and in particular requires leadership from senior management.

Consequently, senior management support is considered a prerequisite for every successful outsourcing relationship, in that it leads the initiative and drive for change from the top down. Senior management plays a critical role in communicating the reasons for outsourcing throughout the organization and in putting in place appropriate management structures and resources. This role and the accompanying support start from day one by setting the strategic direction, and continue during the outsourcing lifecycle by supporting the governance structure (Aragon-Correa & Sharma, 2003).

Management structure is an important pillar of successful outsourcing. Structure refers to the way a team or an organization is organized, whether it is decentralized or centralized, whether it emphasizes line or staff. A well-planned structure allows client and supplier organizations to manage their operational activities, monitor the implementation, and measure the performance of services provided. Outsourcing relationships require their own management structure, and the teams' from both client and supplier organizations play an important role in managing the engagement. Both teams can develop long-term outsourcing relationships by building structures that suit the outsourcing needs (Aksin & Masini, 2008).

#### **2.3.4 Public procurement and Disposal Act of Kenya**

The public procurement system in Kenya has evolved to an orderly and legally regulated system governed by the PPDA, (2005). Prior to this, in central Government it was governed by Treasury circulars from 1969, then the supplies manual of 1978, before the promulgation of the Exchequer and Audit (public procurement). The PPDA, effective as of 1<sup>st</sup> January 2007, applies to all procurement of goods, works and services, as well as the disposal of assets by public entities. The public procurement processes is a complex issue because of the multiple interest and objectives it strives to achieve simultaneously coupled by the multiple regulatory policies and bodes it has to adhere to (Kagendo, 2012).

The public procurement system in Kenya has therefore evolved from a crude system to an orderly regulated, legal and constitutional regime. Kenyans public procurement system can be traced back to 1955 during the colonial days (public procurement oversight Authority, 2009). As a country therefore, Kenya has largely failed to effectively harness the spirit and letter of public procurement and Disposal Act of 2005 and other related enabling legislations in delivering transparency, accountability and good governance in public procurement sector. The law as if exists today has not been able to eradicate corruption and related challenges in this sector as anticipated.

This therefore, makes it difficult for procurement managers to effectively play their role. Public procurement and Disposal Act of Kenya is an Act of parliament to establish procedures for efficient public procurement and for the disposal of unserviceable, obsolete or surplus stores, assets and equipment by public entities and to provide for other related matters. This Act applies with respect to: (a) procurement by a public entity; (b) contract management; (c) supply chain management, including inventory and distribution; and (d) disposal by a public entity of stores and equipment that are unserviceable, obsolete or surplus (Regards, 2001).

### **2.3.5 Concept of Partnership**

Firms engaged in long-term relationship with their customers achieve higher profitability and return on investment than firms using a transactions approach. Maloni & Benton (2000) found that strong buyer-supplier partnership have a positive effect on manufacturer performance of the entire supply chain. The study of buyer-supplier partnership and their role on supply chain management is pertinent for two reasons. Firstly, the prevailing culture in Taiwan's distribution system emphasizes personal relationship between the manufacturers, wholesalers and retailers.

Secondly, the western literature of relation marketing or channel partnership may not fully explain the true essence of cross-cultural contextual factor (Movado & Rodrigo, 2001). Establishing partnership along supply chain creates a win-win situation for all members. It brings about a great advance in business connections such as vendor managed inventory, cross docking and quick response. In a supply chain, every member of the chain needs to make a forecast of its downstream sites, product demand for its own production planning, inventory control and material requirement planning.

Partnership is a belief that the extent to which partners will engage in an activity depends largely on the benefits that they envisage they will gain from so doing. Understanding and delivering on these expected benefits is therefore of critical importance in making a partnership work. However, there is a very real added cost in terms of the staff time required to manage such additional partnership expectations. Only where the tangible benefits from delivering activities through partnerships outweigh these added costs will the implementation of activities through such a partnership framework be desirable and achievable (Warner, 2004)

## 2.4 Conceptual framework

The study postulates that performance of the procurement function (dependent variable) in public universities is influenced by three main factors namely; shared goals, contractual agreement and communication (independent variable). Public Procurement Oversight Authority Act is the intervening variable.

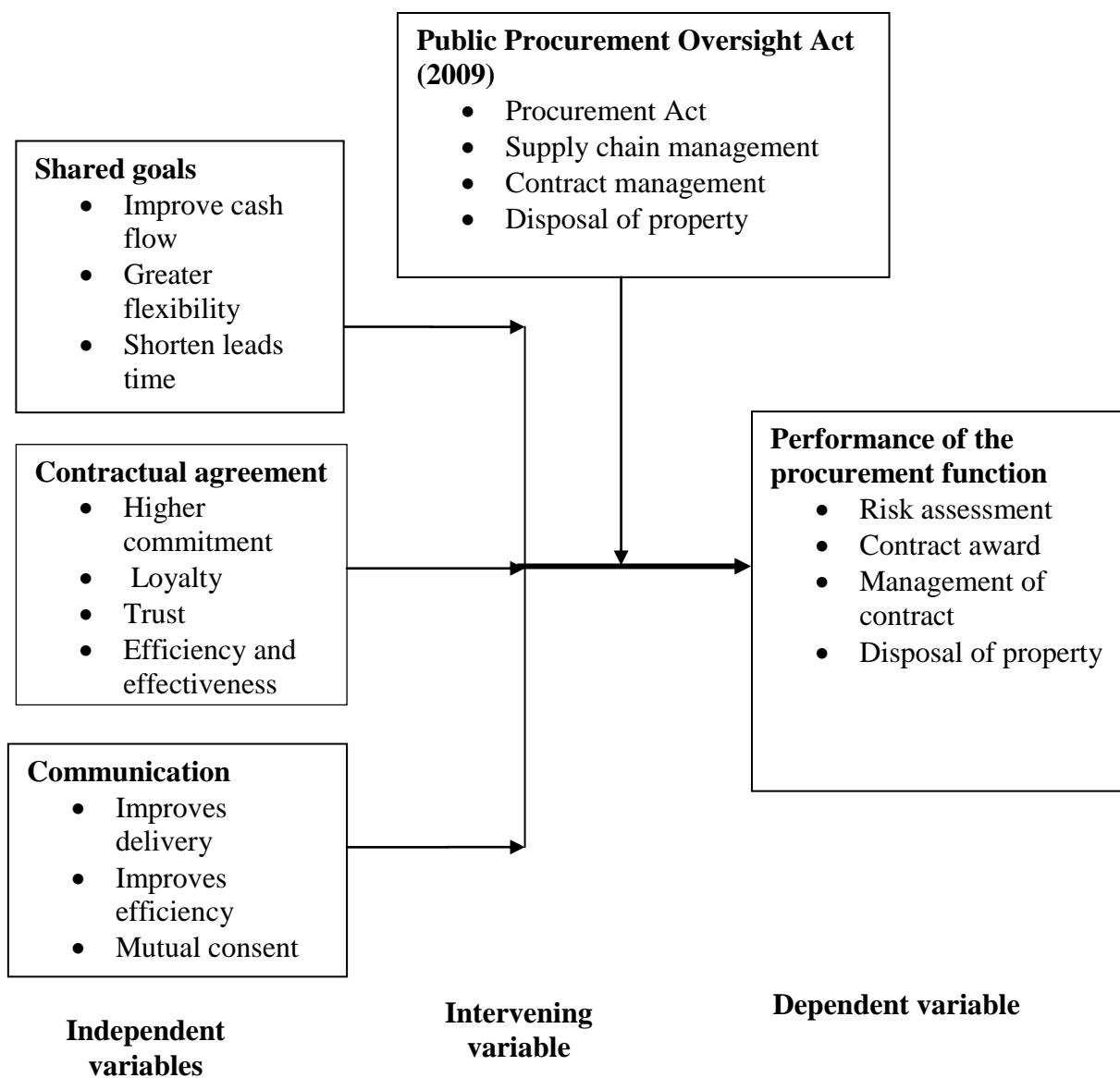


Figure 2.1: Conceptual framework adopted

## **2.5 Summary of Reviewed Literature**

From the preceding analysis the following summary may be drawn. First: outsourcing has predominantly taken the form of service contracts used to provide support services, but there are pressures to extend the practice beyond activities traditionally contracted-out. Shared goal of partnership sourcing is to achieve greater benefits through good supplier buyer relationships. Second, there are several prerequisites yet to be put in place before outsourcing can effectively and beneficially be extended to new areas; existing arrangements and capacities for managing contracts are defective and need to be substantially improved. Outsourcing may not be panacea for the problems of public institutions in Kenya unless the right organizational and institutional conditions exist. A well-planned structure allows client and supplier organizations to manage their operational activities, monitor the implementation, and measure the performance of services provided. Outsourcing relationships require their own management structure, and the teams' from both client and supplier organizations play an important role in managing the engagement. In a supply chain, every member of the chain needs to make a forecast of its downstream sites, product demand for its own production planning, inventory control and material requirement planning. Third, whether or not further outsourcing and private sector participation was viable and appropriate in the public sector will depend much on how the process is managed and the extent current reforms are able to redress all or some of the institutional constraints and capacity issues identified in this study. Fourth, and related to the above, implementation need to be carefully planned and managed, including eliciting the support of key stakeholders for change. The most important aspect of this relationship was the improvement of communications. Senior management plays a critical role in communicating the reasons for outsourcing throughout the organization and in putting in place appropriate management structures and resources.

## **2.6 Research Gaps**

Studies done in Kenya include: Rotich (2012) carried out a study on influence of procurement planning on procurement performance-A case study of Ministry of finance, Nyamase (2012) conducted a study on factors affecting procurement management in the public sector-case of Ministry of Finance; Muriuki (2012) a study of factors influencing efficiency of the procurement functions in government ministries-Selected government ministries, Muthoni (2013) a study on effects of public procurement and disposal act on performance of procurement function and Gichina (2010) causes of poor performance in procurement department-A case of Magana Flowers, Kememba (2010).

Having gone through what other scholars have written on the area of supplier appraisal in the course of their study, the researcher established that many studies have been done on performance of the procurement function. To the best knowledge of the researcher, no local study has been conducted to assess the effects of partnership sourcing on performance of procurement function. This study seeks to fill this knowledge gap by conducting a study on assessment of partnership sourcing on performance of the procurement function at the selected public universities in Kenya. Previous studies on outsourcing focused mainly on the private sector (Shawn *et al.*, 2003). There has been limited research in outsourcing in the public sector particularly in Kenya. The researcher has attempted to highlight constraints and capacity issues in outsourcing services in a developing country context. This hopefully will provide a basis for targeted capacity building for effective outsourcing.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1Introduction**

This chapter describes research methodology which was used in the study; it includes the description of the study area, research design and target population, sampling procedure, data collection and data analysis.

#### **3.2 Research design**

Research design refers to the way a study is planned and conducted, the procedure and technique employed to answer the research questions (Orodho, 2003).A descriptive case study research design was used in this study specifically using a descriptive case study technique. The case studies will comprise four university campuses namely; Egerton University Town campus, Kenyatta University Nakuru Town, Nairobi University Nakuru Town campus and Jomo Kenyatta University Campus. The study employed mainly qualitative approach using structured questionnaire with open and close ended questions. The metric for qualitative analysis was measured using Likert Scale with five degree scales; strongly agree (SA), Agree (A), and Neutral (N) Disagree (D) and strongly disagree (SD).

#### **3.3 Target population**

According to Cooper and Schindler (2003), target population comprises all the elements from which the sample is actually drawn. The target population of this study comprised of employees in four selected university campuses. According to selected University campuses Staff registry, as of 2016, the total number of employees in its payroll from the selected university campuses was 400.This university campuses are divided into various departments. This is the population from which the sample was drawn.

### **3.4 Sample Size and Sampling Technique**

In this section, the size of the sample is outlined and also the technique adopted to extract the sample from the population.

#### **3.4.1 Determination of Sample Size**

According to Kothari (2004), sample size is the number of items to be selected from the universe to constitute a sample. A sample of study is necessary because according to Welmen (2001) the size of the population usually makes it impractical and uneconomical to involve all the members of the population in research project. Therefore, we have to rely on the data obtained from a sample of the population. The minimum sample size was calculated to increase precision, confidence and variability. In order to determine a representative sample from the general population, Yamane's (1967) sampling formula was used as follows;

$$n = \frac{N}{1 + Ne^2}$$

Where;

n is the sample size

N is the population size

e is the level of precision (0.1)

$$n = \frac{400}{1+400(0.1)^2} n=80$$

The distribution of sampling units within university campuses were as follows;

**Table 3.1: Sample Frame**

<b>Sampling Unit</b>	<b>Frequency</b>	<b>Percent</b>
<b>Egerton</b>	40	50.00
<b>Kenyatta</b>	15	18.75
<b>Nairobi</b>	11	13.75
<b>Jomo Kenyatta</b>	14	17.50
<b>Total</b>	<b>80</b>	<b>100.00</b>

### **3.4.2 Sampling Technique**

Stratified random sampling method was used to identify a representative sample where basic all respondents in the sample were eligible to answer questionnaire. Stratified sampling was selected because in this method, each member of the target population has an equal and independent chance of being included in the sample. Stratified random sampling technique is a technique that identifies sub-groups in the population and their proportions and selects from each sub-group to form a sample. It groups a population into separate homogeneous sub-sets that share similar characteristics so as to ensure equitable representation of the population in the sample, (Sakaran, 2003). The strata were identified on the basis of procurement function, levels of management and departments. Simple random sampling was used to select individual respondents to answer questionnaire from this strata.

### **3.5 Research Instruments**

The questionnaire formed the basis for data collection. The questionnaire was semi-structured comprising both open and closed ended questions covering the three objectives. The questionnaires were distributed to the selected university campuses to the sampled employees using face-to-face interview method. In some circumstances, questionnaires were left with respondents to fill and later collected. The hand delivered questionnaires was collected at the end of each survey period.

### **3.6 Data Collection Procedure**

The researcher sought permission from the relevant authorities to distribute questionnaires. Questionnaire was administered to the staff in departments related to procurement using hand delivery and interviews method. The questionnaires were used because they allow the respondents to give their responses in a free environment and help the researcher get information that would not have been given if interviewers were used. Respondents were selected from departments related to the procurement function on simple random basis.

### **3.7 Pilot Testing**

The research instrument was pre-tested before final administration to the respondents. According to Mugenda & Mugenda, (2003) pre-testing allows errors to be discovered before the actual collection of data begins and 1% of the population is considered adequate for pilot study. The questionnaire was piloted to evaluate its practicability and was done on 10 respondents from Egerton university Town Campus who did not form part of the actual sample, this was done one week before collection of data commence. An alpha score of 0.70 or more indicated the instrument is reliable. This feasibility study was useful in checking the questionnaire validity, acceptability and accuracy.

#### **3.7.1 Validity of the Instruments**

According to Bryman and Bell (2007), a valid instrument measures the concept in question accurately. To ensure validity, the questionnaires were subjectively being assessed for presentation and relevance of the questions during the pilot test. Content validity is to determine the degree to which the sample of the questions represents the content that the test was designed to measure. Measurement for validity is meant to determine whether the questionnaire measures what it purports to measure.

It is to assess the degree to which results obtained from the piloting analysis actually represents the phenomenon under investigation. It is essentially concerned with both content and validity and construct validity. Content validity is to determine the degree to which the sample of the questions represents the content that the test was designed to measure. Construct validity is to measure the degree to which data collected from the questionnaire are meaningful and accurately reflect or represent the theoretical concept.

### **3.7.2 Reliability of the Instruments**

A questionnaire with a high reliability received similar answers if it is done again and again or done by different researchers (Bryman & Bell, 2007). The reliability of the questionnaires was determined through the Cronbach alpha coefficient analysis. Cronbach alpha provides a good measure of reliability because holding other factors constant the more similar the test and conditions of administration are, the greater the internal consistency reliability.

### **3.7.3 Results of pilot testing**

A pilot study was conducted to test the reliability and validity of the questionnaire. A sample of 10 respondents was selected in Egerton University town campus and the response was 100%. The Cronbach's Alpha Test was conducted on all measures for the independent and dependent variables which gave a threshold of  $>0.7$ . A correlation coefficient greater or equal to 0.7 is acceptable (George & Mallery, 2003). Therefore, all the variables were retained for the study. These results from the pilot study were not included in the final data analysis.

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<b>Variable</b>	<b>No. of Test Items</b>	<b>Cronbach's Alpha</b>
Shared goals	4	0.712
Contractual agreement	4	0.721
Effective communication	4	0.709

## **3.8 Data Processing and Analysis**

To achieve the objectives data was analyzed using descriptive statistics which includes frequencies, percentages, measures of central tendencies and bivariate correlation test using Statistical Package for Social Sciences computer software (SPSS V23). In addition, the researcher used Pearson correlation multiple regression so as to determine the relationship between performance of the procurement function (dependent variable) and the independent variables namely; shared goals, contractual agreement and effective communication. Multiple regression was also performed to test the influence of selected factors on the procurement function as shown in the model below.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

Y is the dependent variable (performance of procurement function),  $\beta_0$  is the regression coefficient/constant/Y-intercept, and  $\beta_1$ ,  $\beta_2$  and  $\beta_3$  are the coefficients of the linear regression equation.

$X_1$ : Shared goals

$X_2$ : Contractual agreement

$X_3$ : Effective communication,

$\epsilon$  is a random error term

## **CHAPTER FOUR**

### **RESEARCH FINDINGS AND DISCUSSION**

#### **4.1 Introduction**

This chapter gives an overview of results and discussion of the results based on prior studies in the related area. It illustrates the tabulated and graphical representation of results as well as brief interpretation of each. It also compares the findings with other studies elsewhere within the same line of study. It begins with the demographic characteristics of the respondents then explore the impacts of shared goals, contractual agreements and communication in procurement processes in the selected universities.

#### **4.2 Response rate**

The study targeted a sample size of 80 participants out of which 76 questionnaires were filled and returned. 75 questionnaires were completely well filled giving a response rate of 95%. This response was very good enough and representative of the target population. The higher response rate was attributed to the researcher who took time to explain and clarify issues to the respondents before he left the questionnaire to be filled. The questionnaires that were returned uncompleted were rejected during analysis including the blank questionnaire.

#### **4.3 Bio-data of respondents**

##### **4.3.1 Age of respondents**

Some of the demographic characteristics of respondents collected include their age, gender, level of education, and duration of time in employment and level of management. Despite random selection of respondents, there are more males who responded to the research instrument in this study (55%) as opposed to female (45%). This can be attributed to staff turnover in procurement department in surveyed campuses which reflects the gender and willingness of staff.

**Table 4.2: Age of the respondents**

<b>Variable</b>	<b>Category</b>	<b>Frequency</b>	<b>Percent</b>
<b>Gender</b>	Male	41	55
	Female	34	45
	<b>Total</b>	<b>75</b>	<b>100</b>

#### **4.3.2 Age of the respondents**

Regarding age category most respondents were of age between 25 and 30 years (37%) and age between 46 to 55 years (24%). The smallest age category was between 18 to 25 years (8%). This illustrates that most of the staff in procurement units in surveyed campuses were of average age between 25 and 30 years. The contribution of the age to objectives of this study was paramount especially in accessing the contribution of elements such as effective communication and shared goals with advent of technological absurdity.

**Table 4.3: Age of respondents**

	<b>Age category</b>	<b>Frequency</b>	<b>Percent</b>
<b>Age bracket</b>	18-25	6	8
	26-35	28	37
	36-45	18	25
	46-55	17	24
	55 and above	5	6
	<b>Total</b>	<b>75</b>	<b>100</b>

#### **4.3.3 Level of education of respondents**

Regarding level of education, most of the respondents reported they attained certificate and diploma level (35%) and bachelors (27%). Another significant proportion of the respondent have attained masters' level of education. A smaller category of the respondents attained secondary level of education (16%). The level of education was reflective of the procurement functions demands as most of the procurement activities are complex and always a procedure that requires some specialized trainings. The level of education therefore was proxy to reliability of the results in this study.

**Table 4.4: Level of education**

	Level of education	Frequency	Performance
Level of education	Secondary	12	16
	Certificate/Diploma	26	35
	Bachelors	20	27
	Masters	17	22
<b>Total</b>		<b>75</b>	<b>100</b>

**4.3.4 Level of management of respondents**

There were three classification of levels of management discern in this study as shown in table 4.3 above. Most of the respondents were other staff (41%) and middle level management staff (35%). The smallest category of the respondents were in class of top level management (24%). This classification was important in attaining the objectives of this study especially the target population. Most of the middle level staff and other staff were hypothesize to provide more precise information than top level managers due to availability, accountability and such related ethics.

**Table 4.5: Levels of management**

	Level of management	Frequency	Percent
Level of management	Top level management	18	24
	Middle level management	26	35
	Other staff	31	41
<b>Total</b>		<b>75</b>	<b>100</b>

#### 4.3.5 Duration of time

The item of duration of time in the employment was relevant to identify if the target respondent was viable to provide some responses as some respondents had only been in the relevant departments for less than a year and had very little information on the subject matter of this study. It was found out that most of the respondents had been in the service for less than five years (59%) and between 5 and 10 years (32%). These categories were therefore useful in validity and reliability.

**Table 4.6: Duration of time in service**

	<b>Duration</b>	<b>Frequency</b>	<b>Percent</b>
<b>Duration of time in service</b>	Less than 5 years	44	59
	5-10 years	24	32
	10-15 years	3	4
	20-25 years	4	5
<b>Total</b>		<b>75</b>	<b>100</b>

#### 4.4 Descriptive Analysis

##### 4.4.1 Effects of shared goals in partnership sourcing on performance

**Table 4.7: Effect of shared goals**

<b>Impact of Shared Goals</b>	<b>N</b>	<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>SD</b>	<b>Max</b>	<b>Min</b>	<b>Mean</b>	<b>SD</b>
<b>Improve cash flow</b>	75	30.1	48.0	6.7	10.7	4.0	4	1	15	2.63
<b>Greater flexibility</b>	75	25.3	40.0	10.7	16.0	8.0	4	1	14.6	9.07
<b>Shortening of lead time</b>	75	21.3	32.0	5.3	22.7	18.7	4	3	15.2	6.73
<b>Reduction of stock time</b>	75	10.7	46.7	9.3	25.3	8.0	4	1	15.8	4.01

The impacts of shared goals were assessed on basis of stock time, lead times, and flexibility in procurement process and cash flow status in the university campuses with shared goals as intervening factor. The general ranking of the respondents who agreed and strongly agreed showed that shared goals results in greater flexibility (40%) and improvement of cash flow (48%) and percent (25.3) and (30.1) for those who agreed respectively within the procurement functions in the university campuses surveyed. It was also found out that shared goals contribute normally to reduction of lead time and stock time (32%) and (46.7%) as shown in Table 4.7. A higher proportion of the respondents agreed that shared goals increases the cash flow in the organization (48%). Another 30.1% strongly agrees of the same. Only a smallest section of the respondents (4%) strongly disagreed.

This information can be interpreted to elucidate the efficiency in cash flows as a proxy of the trust and shared goals of transparency and speedy delivery of goods and services. In this first item, respondents in the relevant departments were asked if shared goals contribute to reduction of the stock times in procurement process. In a Likert scale of 1 to 5, they ranked the level of contribution of shared goals to reduction of stock times. Higher proportion of the respondents agreed that shared goals contribute to reduction of stock time (46.7%). However a significant proportion also reported that shared goals do no contribute towards reduction of stock time in procurement and shortening of lead time (25.3% and 8%) as shown in Table 4.7.

There were a small section of the respondents who reported that they are not aware if there was any contribution of the shared goals in the lead time reduction (10.7%). This result compares favorably with the studies done by Veludo *et al.* (2006) who found out that when each function in an organization moves together towards a common goal, it creates alignment and motivation. Whereas traditionally procurement was seen as an operational function, a strategic procurement function can have immense benefits to achieving organizational goals and adding value and not just in the form of reduced costs.

In this item almost all the respondents agreed that shared goals contribute to greater flexibility in the procurement process (40%) and (25.3%) strongly agreed. When further probed on how it contributes to greater flexibility, most of them reported that it was imperatively easier to change items to be procured if the shared goals are maintained including fluctuations such as prices, logistics, quantities as well as other prescriptions. Through commitment partners dedicate resources to sustain and further the goals of the collaboration. This studies supports the findings in other studies, (Heide & John, 2009) propose that the expectation of relationship is important for motivating collaboration in inter-organizational relationships.

#### **4.4.2 Effect of contractual agreement on procurement function**

**Table 4.8: Contractual agreement**

<b>Effect of contractual agreement</b>	<b>N</b>	<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>SD</b>	<b>Max</b>	<b>Min</b>	<b>Mean</b>	<b>SD</b>
<b>Higher commitment</b>	75	50.7	33.3	5.3	8.0	2.7	5	1	15.4	13.91
<b>Enhances loyalty among suppliers</b>	75	32.0	37.3	10.7	16.0	4.0	4	1	14.2	10.32
<b>Creates Trust among partners</b>	75	18.7	53.3	10.7	9.3	8.0	4	1	16	13.75
<b>Efficiency and effectiveness</b>	75	20.0	18.7	18.7	30.7	12	2	1	15.2	4.49

In this study, contractual relationships have been hypothesized to have a positive significant effect on the performance of the procurement in the selected organizations. The respondents surveyed showed that most respondents agree that contractual agreements contribute to positive trust among partners (53.3%). Only smaller proportion was not sure if there is any contribution to commitment owing to contractual agreement in procurement (5.3%).

According to Kemunto & Ngugi, 2014) firms increasingly emphasize co-operative relationships with critical suppliers, executives of buyer firms are using supplier evaluations to ensure that their performance objectives are met. While almost all respondents were aware of the existence of contractual agreements, the largest proportion agreed that procurement contributes to supplier loyalty and commitment (37.3% and 32%).

This can be interpreted to mean the staff perceived the contractual relationship with source partners as a positive relationship Table 4.8. In other studies conducted elsewhere, organizations are increasingly emphasizing co-operative relationships with critical suppliers and the strategic alliance between buyers and suppliers therefore has become perhaps the most important aspect in the procurement performance (Kemunto & Ngugi, 2014). As a result, maintaining credible suppliers has become a priority for the buyer. This relationship ensures efficient and timely delivery of the supplies while building loyalty and commitment among the partners.

In support of these findings, Veludo *et al.* (2006) concluded that supplier-buyer relationships have today become the backbones of economic activities in the modern world and a focal point of organizational competitiveness, performance and long-term business success. With specific benefits, Kemunto & Ngugi, (2014) identified as: lower overall costs, higher quality products, less time to market due to open communication and improved technology and innovation. These contractual agreements however do not always come with affirmative benefits. It comes with shortcomings such as the amount of time and effort involved in building this trust. Buyers' time must be spent nurturing the relationship opposed to other value adding activities.

There must also be time spent to begin the relationship and earn the trust of the supplier. According to Benton *et al.* (2005) there are also higher switching costs if problems were to arise with the supplier and there is a sharing of proprietary information, strategy, planning, and goals, [and] most firms do not feel comfortable exposing such elements to other firms, fearing a loss of control. Another drawback of the contractual relationship may be depicted in terms of product quality. Relationship value seems to be positively correlated with relationship quality and vice versa (Ulaga and Eggert, 2006).

However, it is also possible that a relationship is high value but low in quality. For example, partners may gain cost savings but collaboration is still difficult. A relationship may also be of high quality, collaboration working just fine, but the cost of the relationship is too high. Thus, a successful contractual relationship requires that both value and quality of the relationship are high. On the other hand this finding however contradicts with the conclusion of Narayanan *et al.* (2007). Contractual agreements might not be desirable when a company has a certain amount of leverage over its suppliers, or if the suppliers have all the power then the buyer might not be willing to enter into a relationship.

The relationship between contractual and relational governance has been studied mainly in the private sector where practices and environments are different compared to the public sector as discussed earlier. However, Narayanan *et al.* (2007) argued that even though formal controls are necessary and dominant in public procurement for accountability and transparency reasons, informal controls may play an important role especially during the contract implementation phase. Trust between partners is seen as particularly beneficial in enhancing the quality of service provision and relationships in general.

In the private sector relationships may be already moving towards more cooperative partnerships, enabling the delivery of more complex solutions through collaboration and co-development (Lee & Kim, 2005). If holistic solutions are objectives in the public sector, too, traditional contract-based relationships may no longer be sufficient. Proactive contracting and relational contracting may offer new insights into public procurement, emphasizing the functionality of the contract and relational aspects alongside the formal contract.

#### 4.4.3 Role of effective communication in partnership sourcing in procurement function

**Table 4.9: Roles of effective communication in procurement**

<b>Role communication</b>	<b>of</b>	<b>N</b>	<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>SD</b>	<b>Max</b>	<b>Min</b>	<b>Mean</b>	<b>SD</b>
<b>Improves delivery and avoid delays</b>		75	17.3	57.3	9.3	16.0	0.0	4	1	15.6	8.29
<b>Improves Efficiency in Procurement Function</b>		75	34.7	41.3	22.7	0.0	1.3	4	2	14.6	6.53
<b>Mutual Consent in Solving Problems</b>		75	62.7	16.0	16.0	5.3	0.0	5	1	15.2	7.93
<b>Improved Relationship</b>		75	38.7	46.7	12.0	0.0	2.7	4	2	14.4	2.21

The responses in Likert scale for agree and strongly agreed were tallied together to ascertain the roles of the communication in procurement process. Most of the respondents (62.7%) strongly agreed that effective communication in procurement results in mutual consent in problem solving between parties involved as well as improving delivery and avoiding delays (57.3%) and others reported that with effective communication there is improved relationship and efficiency among the parties (38.7% and 34.7%)

The role of communication in building successful relationships and sharing was depicted in other studies. Trust is argued to be a key factor in the formation of a successful inter-organizational relationship since it is not possible to monitor and control every detail in a relationship due to incompleteness of contracts (Caménet *et al.*, 2011). Trust increases knowledge sharing between parties and enhances collaboration and communication (Goh, 2002).

Additionally it was found out that communication in procurement helps avert any problem that may arise during the process. These findings echoed findings by (Narayanan *et al.* 2007) who concluded that parties may be more willing to solve problems as they occur and solve them together if they have effective communication and trust with each other. Most of the respondents agreed that their universities are encouraging effective communication with the sourcing partners (46.7). Only a small proportion disagreed that their universities are encouraging effective communication (2.7%).

Another (12%) were not sure and the same proportion strongly agreed that their university encourages effective communication with their procurement partners (Table 4.9). With specific reference to the role of communication the respondents were asked if communication improves efficiency in procurement function. Majority of the respondents agreed that communication improves efficiency (41.3%) and strongly agree (34.7%). Only (1.3%) respondent strongly disagree that communication improves efficiency in procurement process. This study compares favorably with results of studies done by Oyuke & Shale (2014).

They found out that management make efforts to encourage adherence to legislative procurement procedures and requisition development with suppliers as shown by a mean of 3.6. Their study also found out that performance reporting is required by management sometimes; that all solicitations processes involving organizational performance were approved by management before commencing the process and that there is a budget provision for research and development (R&D) for the same (Oyuke & Shale, 2014).

#### 4.4.4 Likert scale assessment of adherence to PPOA procurement standards

**Table 4.10: Measure of adherence to PPOA in procurement function**

Adherence to standards	N	SA	A	N	D	SD	Max	Min	$\mu$	SD
Staff aware of PPOA Policies	75	18.7	29.3	20	21.3	10.7	4	1	15.4	2.17
Supply chain management as Required by PPOA	75	17.3	29.3	18.7	26.7	8.0	4	1	15	3.55
Contract Management done as by PPOA	75	38.7	24	18.7	22.7	9.3	5	1	15.4	2.70
Disposal of property done as by PPOA	75	34.7	25.3	10.7	17.3	12.0	5	3	14.8	2.14

It was evident in the study that most of the respondents were aware of PPOA regulations (29.3%) and that they adhere to supply chain Management as required by PPOA (29.3% and 17.3%). However a significant section of the respondents were not sure if staff are aware of PPOA policies and if their departments are carrying out contract management according to PPOA (count of 22.7% and 18.7%) Table 4.10.

#### 4.5 Inferential Statistics

The inferential statistics used was bivariate correlation analysis where four Likert scale items were used. A composite mean of the four variables were correlated to the mean of the procurement function performance.

##### 4.5.1 Relationship between shared goals and performance in procurement function

**Table 4.11: Relationship between shared goals and performance in procurement function**

		Greater flexibility
	Pearson Correlation	0.470*
Shared goals	Sig. (2-tailed)	0.121
	N	75

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

The hypotheses were as follows:

H<sub>0</sub>: Shared goals have no impacts on partnership sourcing on performance in procurement function.

H<sub>A</sub>: Shared goals have positive impacts on partnership sourcing on performance in procurement function.

There were positive correlation between shared goals and greater flexibility ( $P=0.470$ ). From the above Pearson correlation analysis, the null hypothesis that shared goals do not significantly contributes to greater flexibility is accepted and concluded that shared goals do not significantly affect the flexibility among the partner as in procurement ( $Sig.=0.121$ ) Table 4.11. However the Likert scale in earlier analysis shows the shared goals to certain extent contributes to greater flexibility but the contribution is less significant as compared to other variables in the same table. This study supports the findings of Simatupang & Sridharan (2005) who noted that information sharing joint decision making and incentive alignment are factors that facilitate collaborative action through information exchange between the buyer and supplier.

This results also supports the findings of Goh (2002). He concluded that most organization's see alignment between organizational and procurement goals. Procurement can set internal goals like reducing maverick spend or streamlining the bid comparison process to ensure the most cost-effective sourcing. While these actions certainly have a positive impact on the organization's bottom line, they also have positive impacts on negotiations and supplier relationships.

**Table 4.12: T-test of relationship between shared goals and performance of procurement function**

N	95% Significance	Level of R	t (Statistic)	df
75	2.428	0.470**	4.649*	75

#### **4.5.2 Impact of contractual agreement in partnership sourcing and procurement function**

Contractual agreement was evident in almost all university campuses surveyed but a significant section of the respondents could not tell exactly the kind of procurement contractual relationships. A bivariate correlation in Table 4.13below shows the relationship between contractual agreement and performance of procurement function.

**Table 4.13: Relationship between contractual agreement and performance in procurement function**

Greater flexibility		
	Pearson Correlation	0.390*
Contractual agreement	Sig. (2-tailed)	0.001
	N	75

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

$H_0$ :There is no significant relationship between contractual agreement and the performance of the procurement function in selected universities.

$H_A$ :There is significant relationship between contractual agreement and the performance of the procurement function in selected universities.

The null hypothesis anticipated in this study prior to survey that there is no significant relationship between contractual agreement and the performance of the procurement function in selected universities was rejected and concluded that contractual agreement contribute positively towards supplier loyalty and commitment ( $P=0.390$ ). This value shows that there was a strong correlations between contractual agreement and commitment and loyalty (Sig. =0.001) reference Table 4.13 above.

In support of this findings, Griffith & Myers (2005) in their study concluded that the management of supplier-buyer relationships as a primary driver of both customer and shareholder value have a positive impact on performance of procurement function.

This is particularly true due to the increased adoption of globalization and outsourcing strategies (Tang & Musa, 2011) leveraged by company specialization and focus on their core competencies in order to withstand today's competitive market pressures (Blome & Schoenherr, 2011). Supply disruptions are also less likely as the relationship is similar to friendship and suppliers and buyers look out for one another rather than opportunities to take advantage of one another.

In other studies elsewhere, Vonderembse (1999), found out that the strategic roles played by suppliers in organizations play a vital role in creating a competitive advantage and their actions have a significant impact on the performance of the organization. In the study conducted by Kemunto & Ngugi, (2014) procurement policy and relationships coefficient of (0.811) were found to be positive at significant level of (0.001) and this indicates that policy and contractual agreements have a positive influence on procurement function performance.

**Table 4.14: Results of t-test on effects of contractual agreement on performance of procurement function**

N	95% Significance	Level of R	t (Statistic)	df
75	3.731	0.390**	5.849*	75

\*P< 0.05.

#### 4.5.3 Effect of communication in procurement performance

**Table 4.15: Relationship between communication and performance of procurement function**

Procurement Performance		
	Pearson Correlation	0.596*
Effective communication	Sig. (2-tailed)	0.012
	N	75

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

$H_0$ : There is no relationship between communication and the performance of the procurement function

$H_A$ : There is significant relationship between communication between procurement function and partnership sourcing has no significant effect on the performance of the procurement function

The null hypothesis that communication between procurement function and partnership sourcing has no significant effect on the performance of the procurement function was rejected and concluded that communication had a positive impact on the performance of procurement function ( $P=0.596$ ,  $Sig.=0.012$ ) as shown in Table 4.15 above.

**Table 4.16: Results of t-test on effective communication and performance of procurement function**

N	95% Significance	Level of R	t (Statistic)	df
75	2.371	0.596*	2.373*	75

\* $P<0.05$ .

In other studies conducted elsewhere, Ploetner & Ehret (2006) argued that for a procurement organization to operate both efficiently and effectively in such a complex environment communication strategy need to be created and suitable instruments put to use. Communication can have an important function such as: smoother and faster process flow, efficient distribution of information, decentralization of tasks and decisions, increased transparency and better control. In addition, communication helps not only to support internal processes, but also those involving business partners. In this way information technology grows in importance in the daily business of procurement managers.

Goh (2002) further postulates that if communication strategy exists it can provide orientation for both the procurement organization and for the further development of information technology. In their study, they reported that more than three quarters of the participants reported that information technology makes a very significant or fairly significant contribution to carrying out the procurement function successfully.

#### **4.6 Regression Analysis**

**Table 4.17: Model Summary**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	0.461 <sup>a</sup>	0.429	0.463	1.238

**a. Predictors: (Constant), shared goals, contractual agreements and effective communication**

A multiple regression analysis to assess the effects of shared goals, contractual agreement and effective communication in selected university campuses in Nakuru County was performed to illustrate the contribution of each of the selected factors on the performance of procurement function. The Regression model summary in Table 4.17 shows that the three independent variables in the regression model (shared goals, contractual agreement and effective communication) account for 46.3% of the total variation in procurement function because the ‘R square’ value is 0.463. This results therefore explained only 46.3% while the 53.7% is explained by other factors outside the scope of this study. This study recommends further studies to be conducted in this factors (53.7%)that potentially influence the success of procurement function.

## 4.7 Multiple Regressions Analysis

**Table 4.18: Regression Coefficients**

<b>Model</b>	<b>Un-standardized Coefficients</b>		<b>Standardized Coefficients</b>		
	<b>B</b>	<b>Std. Error</b>	<b>Beta</b>	<b>t</b>	<b>Sig.</b>
(Constant)	1.203	1.258		1.368	0.108
<b>Shared goals</b>	0.470	0.329	0.371	4.649	0.021
<b>Contractual agreement</b>	0.390	0.341	0.356	5.849	0.001
<b>Effective communication</b>	0.596	0.266	0.340	2.373	0.012

### a. Dependent Variable: Procurement Function Performance

After analysis of each independent variable, a multiple regression analysis was conducted to determine the relationship between shared goals, contractual agreement, effective communication and procurement function performance as shown in Table 4.13 above. Substituting the values in the equation:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

$$Y = 1.203 + 0.470X_1 + 0.390X_2 + 0.596X_3$$

The beta values that were obtained explained the regression equation. The standardized beta coefficients give a measure of influence of each variable to the model and indicate how much the dependent variable varies with an independent variable when all other independent variables are held constant. The regression model established that taking all factors into account (shared goals, contractual agreement and effective communication) at zero, the constant is 1.201 as presented in Table 4.13

The findings imply that taking all other independent variables at zero, a unit increase in shared goals leads to a 0.470 increase in procurement function performance; a unit increase in contractual agreement leads to 0.390 increase in procurement function performance while a unit increase in effective communication leads to 0.596 increase in procurement function performance. The findings shows that shared goals, contractual agreement and effective communication affects the performance of procurement function though contribution varies significantly.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Summary of the findings**

This study sought to address three specific objectives namely impacts of shared goals, contractual agreements and communication on procurement process in selected universities. First, The general ranking of the respondents who agreed and strongly agreed showed that shared goals results in greater flexibility (40%) and improvement of cash flow (48%) and (23.5%) and (30.1%) for those who agreed respectively within the procurement functions in the university campuses surveyed.

Almost all the respondents agreed that shared goals contribute to greater flexibility in the procurement process (40%) and (25.3%) strongly agreed. The respondents surveyed showed that most respondents agree that contractual agreements contribute to positive trust among partners (53.3%). While almost all respondents were aware of the existence of contractual agreements, the largest proportion agreed that procurement contributes to supplier loyalty and commitment respectively (37.3% and 32%).

Secondly, contractual agreement between the university and the source partners existed in all university campuses surveyed but a significant section of the respondents could not tell exactly the kind of procurement contractual relationships. The null hypothesis that there is no significant relationship between contractual agreement and the performance of the procurement function in selected universities was rejected and concluded that contractual agreement contribute positively towards supplier loyalty and commitment. The results indicated that contractual agreements contribute to effectiveness and efficiency in procurement (50.7%) as well as contributing to supplier loyalty and commitment (37.3% and 32%).

These relationships ensure efficient and timely delivery of the supplies while building loyalty and commitment among the partners. Supplier-buyer relationships have today become the backbones of economic activities in the modern world and a focal point of organizational competitiveness, performance and long-term business success. The contractual agreement with source partners however, comes with shortcomings such as the amount of time and effort involved in building this trust.

Buyers' time must be spent nurturing the relationship opposed to other value adding activities. There must also be time spent to begin the relationship and earn the trust of the supplier. Suppliers play a vital role in creating a competitive advantage and their actions have a significant impact on the performance of the organization.

Thirdly, Most of the respondents (62.7%) strongly agreed that effective communication in procurement results in mutual consent in problem solving between parties involved as well as improving delivery and avoiding delays (57.3%) and others reported that with effective communication there is improved relationship and efficiency among the parties (38.7% and 34.7%). The null hypothesis that effective communication between procurement function and partnership sourcing has no significant effect on the performance of the procurement function was rejected and concluded that communication had a positive correlation to procurement (P-value=0.00).

Additionally, it was found out that most of the respondents (46.7%) reported that effective communication in procurement results in improved relationship between parties involved as well as improving efficiency (34.7%) and others reported that with effective communication there is a mutual consent in solving problems among the partners. Communication with source partners reduces overall costs, higher quality products, less time to market due to open communication and improved technology and innovation.

## **5.2 Conclusions**

Shared goals among the university procurement units and the source partners contributes to cash flow efficiency, shortening of lead time, stock times as well as improving flexibility among the partners. While the contractual agreements may have shortcoming such as lower overall costs, higher quality products, less time to market due to open communication and improved technology and innovation there is some benefits. In the first objective on relationship between shared goals and procurement function performance, it was concluded that there were positive correlation between shared goals and greater flexibility ( $P=0.470$ ). The null hypothesis that shared goals do not significantly contributes to greater flexibility was accepted and concluded that shared goals do not significantly affect the flexibility among the partner as in procurement ( $Sig.=0.121$ ).

In the second objective of effects of contractual agreement on procurement performance, the null hypothesis anticipated in this study prior to survey that there is no significant relationship between contractual agreement and the performance of the procurement function in selected universities was rejected and concluded that contractual agreement contribute positively towards supplier loyalty and commitment ( $P=0.390$ ). This value shows that there was a strong correlations between contractual agreement and commitment and loyalty (Sig.  $=0.001$ ).

In third objective, the null hypothesis that effective communication between procurement function and partnership sourcing has no significant effect on the performance of the procurement function was rejected and concluded that effective communication had a positive impact on the performance of procurement function ( $P=0.596$ , Sig.  $=0.012$ ). There are positive values of contractual relationships as identified as: lower overall costs, higher quality products, less time to market due to open communication and improved technology and innovation. Communication can have an important function such as: smoother, faster process flow and efficient distribution of information.

### **5.3 Recommendations of the study**

- i. Policy and practice for procurement should be carefully evaluated and the results of that evaluation fed back into improved approaches in the relevant sectors of the procurement to embrace shared goals, contractual agreements and effective communication strategy.
- ii. Since the shared organizational goals certainly have a positive impact on the organization's bottom line, it is imperative that when creating organizational goals, it is vital to include procurement as a strategic partner with source partners identified with related goals.
- iii. Contractual relationships between the university and source partners must be supported from the entire organization. A buyer must have the authority to negotiate with a supplier and come to an agreement that carries mutual trust and benefit.
- iv. More importantly, for a procurement organization to operate both efficiently and effectively in such a complex environment, communication strategy need to be created and suitable instruments put to use.

#### **5.4 Recommendation for Further Research**

- i. A further research is needed to evaluate the effectiveness and enforceability of Public Procurement and Disposal Act of 2005 in the devolved system of governance. Kenya has largely failed to effectively harness the spirit and letter of public procurement and Disposal Act of 2005 and other related enabling legislations in delivering transparency, accountability and good governance in public procurement sector.
- ii. The law has not been able to eradicate corruption and related challenges in this sector as anticipated and this requires further studies to recommend ways of improving the accomplishment.

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## **APPENDICES**

### **APPENDIX 1: QUESTIONNAIRE**

Dear respondent, my name is John Ndugi, an MSc student at Jomo Kenyatta University pursuing Master of Science in procurement and logistics and currently carrying out a field research three universities in Nakuru County. The title of the study is “Assessment of partnership sourcing on performance of the procurement function at selected universities.” All information collected will be used solely for academic purposes and will be treated with utmost confidentiality. Please complete each section as instructed.

For any inquiries regarding this exercise, do not hesitate to contact the university through the supervisor on Cell: 0728 861 878

**Date of interview:** \_\_\_\_\_ **Enumerator:** \_\_\_\_\_

**University:** \_\_\_\_\_ **Code:** \_\_\_\_\_

## **Instructions**

Kindly tick (✓) the correct answer as appropriate or give a comment where applicable

### **SECTION A: BIO DATA INFORMATION**

#### **1. Gender**

Male [ ] Female [ ]

#### **2. Age bracket**

18-25 [ ] 26-35 [ ] 36-45 [ ] 46-55 [ ] 55 and above [ ]

#### **3. Level of education**

0. Certificate/Diploma [ ] 1. Bachelors [ ] 2. Masters [ ] 3. Others (specify)  
\_\_\_\_\_

#### **4. Department** \_\_\_\_\_

#### **5. Level of management**

0. Top level management [ ] 2. Middle level management [ ] 3. Other staff [ ]

#### **6. For how long have you worked with the university?**

Less than 5 years [ ] 5-10 years [ ] 10-15 years [ ] 20-25 years [ ] 25 and above [ ]

## **SECTION B: SHARED GOALS**

On the score of 1-5, indicate what extend you agree or disagree with the following statement regarding **shared goals** in partnership sourcing on performance at public universities in the county government of Nakuru

**5- Strongly agree (SA) 4- Agree (A) 3- Not sure (NS) 2- Disagree (D) 1- Strongly disagree (SD)**

No.	Statement on shared goals	5	4	3	2	1
7	Shared goals contribute to reduce in stock times					
8	Shared goals shorten lead times during the procurement process					
9	Shared goals contribute to the achievement of greater flexibility in procurement process					
10	Shared goals among the partners improves the cash flow in the university					

12 what other ways will shared goals contribute to the success of procurement functions than partnershipsourcing?

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## **SECTION C: CONTRACTUAL AGREEMENT**

On the score of 1-5, indicate what extend you agree or disagree with the following statement regarding **contractual agreement** in partnership sourcing on performance at public universities in the county government of Nakuru

**5- Strongly agree (SA) 4- Agree (A) 3- Not sure (NS) 2- Disagree (D) 1- Strongly disagree (SD)**

No.	Statement on Contractual Agreement	5	4	3	2	1
13.	Contractual agreement result in higher commitment					
14.	As a result of contractual agreement there is higher commitment and loyalty between the university and partners					
15	There is trust between the university and partners as a result of contractual agreement					
16	There is improved efficiency and effectiveness as a result of contractual agreement.					

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17. According to your opinion, what are other benefits to the university and partners as a result of contractual agreement

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## **SECTION D: COMMUNICATION**

On the score of 1-5, indicate what extend you agree or disagree with the following statement regarding **communication** in partnership sourcing on performance at public universities in the county government of Nakuru  
**5- Strongly agree (SA) 4- Agree (A)**  
**3- Not sure (NS) 2- Disagree (D) 1- Strongly disagree (SD)**

No	Statement on communication	5	4	3	2	1
18	There is improved delivery as a result of communication					
19	There is improved efficiency as a result of communication					
20	There is a mutual consent in solving problems between the university and partners is a result of communication					
21	There is improved relationship between the university and the partner as a result of communication					

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22. According to your opinion, what are other ways the university through procurement department improve communication with department

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## **SECTION E: PUBLIC PROCUREMENT OVERSIGHT AUTHORITY**

On the score of 1-5, indicate what extend you agree or disagree with the following statement regarding **Public Procurement Oversight Authority** on performance at public universities in the county government of Nakuru (**5- Strongly agree (SA) 4-Agree (A) 3- Not sure (NS) 2-Disagree (D) 1-Strongly disagree (SD)**)

Tick inside that best describe your opinion on the question asked

No.	Public procurement Oversight Authority	5	4	3	2	1
23	Members of my department are aware of PPOA Act					
24	Supply chain management is done as required by PPOA					
26	Contract management is done as prescribed by PPOA					
27	Disposal of university property is done as required by PPOA					