

**FACTORS INFLUENCING CENTRALIZED PROCUREMENT IN SMALL SCALE TEA
SECTOR: CASE OF KENYA TEA DEVELOPMENT AGENCY**

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ABSTRACT

This research discusses in detail the factors influencing centralized procurement in small scale tea sector, in particular, Kenya Tea Development Agency. The study has identified factors that influence centralized procurement process at Kenya Tea Development Agency. The study examined the following core factors of; efficiency, cost savings, quality standards, and supplier management and their influence on centralized procurement.

The objective of the research was to find out factors that influence centralized procurement process at Kenya Tea Development Agency which can be explained to its management at factories owned by small scale tea farmers on its profitability and serge for gaining competitive advantage in the highly dynamic and volatile agri-business market. It is vital to note that Kenya Tea Development Agency is a conglomerate of over sixty three (over 63) tea factories owned by small scale farmers in Kenya; for this, Kenya Tea Development Agency manages production, processing and the marketing of the tea on behalf of the farmers and tries to reap maximum profit for the farmers as much as possible.

The study used a sample of 60 respondents randomly drawn from all stakeholders directly involved in procurement process of materials, goods and services at Kenya Tea Development Agency, especially the Management Tender Committee (MTC) and the workers at KTDA Tea factories. The study was also supported by past studies on centralized procurement that is discussed in chapter Two. It adopted Descriptive Survey Design (DSD) and used Simple Random Sampling Technique (SRST) that was applied on strata based on the stakeholders directly involved in procurement process classified for sample selection.

Data was collected by use of self administered respondents' questionnaires and a study of records of MTC; the data was then analyzed by the use of Statistical Package for Social Scientists (SPSS) which yielded totals and percentages. The results obtained are presented in the form of tables.

From this research, it is found out that to achieve efficiency by way of shortening lead times, efficient customer response (ECR) and immediate user/customer requirement has influenced adoption of centralized procurement at KTDA this is because of the majority of respondents (78.9% of the sample). Secondly, that the need for superior quality standard of products has directly influenced the need for centralized procurement; this is going by the research findings that there has so far been Zero (0) returns due to non quality conformance, for this, quality is being achieved via centralized procurement at KTDA. As KTDA presses on for profitability, there is considerable evidence that through centralized procurement, numerous saving has been achieved. Finally, from this research, it is evident that supplier satisfaction has influenced the adoption of centralized procurement at KTDA and all respondents (100 %) alluded to this fact.

This research, basing on the data collected recommends centralized procurement for firms to gain profitability and sustainable competitive advantage. Specifically, firms can adopt centralized procurement process if they wish to attain efficiency and therefore reduce lead times as well as customer response to the buying function. Also, zero quality defects can be realized via centralized procurement, which in return can help win customers' confidence, retention and therefore profitability via increased sales and royalty. Thirdly, direct savings are achievable through centralized procurement since firms are likely to enjoy economies of scale as well as

perceived 'big' business by vendors hence better offers (costing). Finally, vendor satisfaction is achievable via the centralized procurement process since the 'source' of communication, evaluation team and coordination is from one centre. Unfortunately, firms (from this research) need not adopt centralized procurement as a mean of achieving partnership sourcing.