

Effects of Strategic Procurement Planning On Utilization of County Development Funds at Uasin Gishu County Government

Solomon Kipsiria Biwott¹, Dr. Jared Bogonko², Dr. Yusuf Kibet³.

¹School of Business and Economics, Kisii University, P O Box 408 Kisii, Kenya,

²School of Business and Economics, Kisii University, P O Box 408 Kisii, Kenya,

³School of Business and Economics, Kisii University, P O Box 408 Kisii, Kenya

Abstract: The study sought to assess the effects of Strategic Procurement Planning on utilization of County Development Funds at Uasin Gishu County Government. The study was guided by the following theory and objectives which inform the study. Resource Based theory proponents of the resource –based view that it is not the environment but the resources of the organization, which form the foundation of the procurement department strategy. The objective was to assess the needs analysis of procurement department on utilization of County Development Funds. The target population was 1170 respondents comprising of stakeholders. The study employed a descriptive survey design. The study sample was 149 respondents consisting of 21 HOD from the user departments, 15 procurement specialists and 113 key prequalified suppliers. Purposive sampling was used to select the 21 HOD from the user departments, 15 procurement specialists while systematic sampling was used to pick the 113 key prequalified suppliers from the county list of prequalified suppliers. The study employed the use of questionnaires and interview schedules as the main primary data collection tools. The collected data was analyzed using descriptive statistics frequencies, percentages and mean and inferential statistics multiple regression was used. The data will be analyzed and then presented by use of tables. The findings of the study indicated that needs analysis ($p < 0.000$), showed a positive significant effect on the dependent variable utilization of County Development Funds. The study recommended that Uasin gishu county government should ensure proper utilization of the county development funds through a Strategic Procurement Planning Process that sees that the objectives of the county development funds are met.

Key Words: Strategic Procurement Planning, County Development Funds and Needs Analysis

Date of Submission: 05-12-2017

Date of acceptance: 18-12-2017

I. Introduction

Development funds are an important allocation that ensures the continuous growth and needs attainment of a region (Dess, 2006). The development funds are meant to ensure that the development goals are meant and are a key indicator of service delivery. This allocation is separate from the recurrent budgets which are meant to meet the daily costs of running an institution. The procurement department plays an important role in ensuring the development funds meet the needs of the public and in this case the county residents. The procurement department through interactions with the user departments identify needs of the community and procure for this services using the development funds set aside for them (Friedman, 2006).

Procurement department ensures proper utilization of the county development funds through a Strategic Procurement Planning Process that sees that the objectives of the county development funds are met. The Strategic Procurement Planning Process ensures that the allocated sums are utilized as effectively as possible and as efficiently as possible to ensure minimal wastage and that priority is given to the most pressing community needs (Harvey, 2008). The Strategic Procurement Planning Process therefore ensures that the county development funds are not misappropriated. Strategic planning involves a number of steps performed by the procurement department in collaborations with user departments. Public participation is also key in this process and entails capturing user needs to ensure relevant services are offered (Dess, 2006).

Globally, it is a practice to strategically plan for the utilization of development funds. This process may involve a series of steps including needs assessment, budget preparation among other steps. Legal frameworks are developed to support the process of strategic planning and in other regions of the world, procurement guidelines are followed (Hitt, 2005). Most developed nations including the USA and Australia have strong procurement rules that govern the Strategic Procurement Planning Process required to ensure proper utilization of development funds. This nations consequently have been able to enjoy tremendous development which meets the daily needs not only of businesses in operations but also of the citizens in the country who require day to day services from their governments (Johnson, 2007)

Development in Africa has been below par. A number of reasons some relating to the functions of the procurement and supplies department have been given. These include corruption and misappropriation of funds which are meant to be development funds. Most of the money meant for development in this country's end up in pockets of individuals. African countries including Nigeria, Botswana, and Uganda among others rank highly globally in terms of their corruption indexes (David, 2009). The procurement department is at the center of this controversy owing to the fact that this is the department charged with the responsibility of utilizing the development funds on behalf of all the other departments who require it in service provision. Procurement department management for African countries remains a big challenge (Chaffee, 2005).

Kenya has also suffered in its development. The country despite having proper growth plans has seen most of its growth sectors stall due to cases of corruption. The procurement department has in nearly all cases been branded the key reason that to the continued loss of the development funds. Cases of corruption not only at the county level but also at the national level have been reported and in other cases prosecuted relating to corruption or misappropriations of development funds. This is despite the existence of the PPOA 2006 which was meant to provide proper guidelines when strategically planning for the use of development funds (Camillus, 2007).

Kenya as a country has put in place a devolved system of governance each which runs its own procurement department in collaboration with the national treasury. Every year the national treasury allocates funds for development and for recurrent budgets to the counties. These funds are meant to assist the county not only cater for their recurrent budgets but also to put in place structures and infrastructures for their county citizens that will enable them run businesses, operate in safe environments and fulfill their other daily needs. The development funds in particular are managed by the procurement departments according to the PPOA 2006 in collaboration with other user departments (Harvey, 2008).

1.1 Statement of the problem

Ideally, the philosophy behind the new governments structure which involves counties was to stimulate even and greater growth not just in certain regions but throughout the country. There was a lot of hope that the counties will spur growth and more gains in terms of development would be felt compared to the previous constitutional dispensation era (Kimber, 2013).

This however has not been the case. In the last four years alone since the era of counties, there have been 36% more cases of misappropriation of funds nationally on average every year and 15% more prosecuted cases as they were between 2008 and 2012. This is a clear indicator of the poor development track the country is having. The procurement department has in nearly all these cases been implicated to play a large role in enhancing or directly participating in the vice. According to country data survey, 54% of the citizens in the various counties believe that counties are encouraging theft of development fund due to weak procurement structures. (Ngugi, 2015)

Counties are still the preferred form of government for most residents but there is a lot of skepticism as to whether they are likely to meet their development goals in the short term owing to the poor development records placed by most of these counties. Few studies have tried to establish the relationship that exists between strategic planning and the utilization of county development funds in this new dispensation which is the key purpose why this study is undertaken.

II. Literature Review

2.1 Needs Assessment and use of development Funds

Procurement Planning entails the identification of what needs to be procured (which is the result of a Needs Assessment), how the counties needs can best be met, the scope of the goods, works or services required, what procurement strategies or methods to be deployed, setting the time frames, and the accountability for the full procurement process. (Schlosser, 2003).

According to Harvey (2008) Needs Assessment is "a systematic process for determining and addressing the needs, or gaps between current conditions and desired conditions or wants. This is important in the counties procurement department; because it is an effective tool to identify appropriate interventions or solutions by clearly identifying the problem to ensure that finite resources (Prior Budget appropriations) are directed towards developing and implementing a feasible and applicable solution for identified projects and also to ensure that the funds available are used accordingly.

According to the PPOA (2009), the commencement of the counties procurement department process is identification and need realization of requirements. This comes as a result of the inventory status, work plans, production schedules, projects plan, capital or operational requirements budgets and the procurement plan. Establishment of the supplies is the foundation for conducting market survey to establish characteristics such as prices to funds available, new sources of supply, new products or alternative or substitute products, nature of competition and environmental aspects that may have an effect on the market supply.

In a 2005 report, (Chaffee, 2005) singled out non-adherence to procurement methods as a major impediment to public procurement development and use for public funds in Kenya. They however did not specify the stage of procurement where this happened whether it is in the needs assessment stage of the planning stage. In as much as the above studies highlight the core role of proper need assessment as a foundation for an effective procurement for Counties, they fail in bringing to the fore the link between need assessment and institutional performance. Recent theorists also point to the importance of public administration as a moral and ethical concern (corruption) on how public funds are used. (Schlosser, 2003)

According to the PPDA Act (2007), county purchases must be economical and efficient at the same time satisfying the counties' needs. This means that they should be based on market prices and should be able to generate saving. It also means that bad practices such as irresponsible procurement leading to wastage, wear and tear of stocks, over invoicing, unplanned expenditure, shortage of goods when needed, poor quality products and similar factors to be avoided to protect the counties funds.

The PPOA prepares and updates a Market Price Index (MPI) to be used by the Procuring Entity (PE) on a periodic basis so as to assess the amount of money required for each of the resources. The Procurement Plan (PP) which entails the needs assessment must be integrated into the budgetary processes based on the indicative or approved budget, as stipulated in the PPDA (2006).The budget as well as the procurement plan are to be based on the actual needs of the county, the realistic cost estimates derived from the market research database which is to be compiled and updated regularly by the procurement unit in line with regulations (PPDA, 2009).

III. Materials and Methods

This study adopted a descriptive survey study design. This study targeted 1170 respondents as indicated in the table 3.1

Table 3.1 Target population

Target Groups	Target Population
Heads of User Departments	21
Procurement Dept Employees	15
Key Prequalified County Suppliers	1,134
Total	1170

Source: Uasin Gishu County Records (2016)

3.1 Sample size and Sampling Techniques

Sample size is the number of individual expected to provide some information about a a targeted population, particularly for the purposes of statistical interpretation (Paton, 2009). According to Mugenda and Mugenda (2010), sampling is a process of selecting the number of subjects for a particular study representing a larger group from which the subjects were chosen while a sample is a smaller unit of subjects gotten from representative and accessible population. The sampling enabled the researcher to derive from it detailed data at an affordable cost in terms of hire, finances and human resource. The sample was calculated from Mugenda's (2003) formulae that proposes that for a population of less than 100 respondents 100% be targeted, that when the population is between 101 – 1000 then 30% be targeted and when the population is between 1001 – 9999 then 10% but when it is over 10,000 then 1% be targeted.

The sample size of 1170 respondents was therefore be computed as follows;

Table 3.2 Sample Size

Target Groups	Target Population	Procedure	Sample Size
Heads of User Departments	21	21 *100%	21
Procurement Dept Employees	15	15 * 100%	15
Key Prequalified County Suppliers	1,134	1,134 * 10%	113
Total	1170		149

The sample size for the study was therefore be 149 respondents consisting of 21 HOD from the user departments, 15 procurement staff and 113 key prequalified suppliers.

Purposive sampling was used to select the 21 HOD from the user departments, 15 procurement staff while systematic sampling was used to pick the 113 key prequalified suppliers from the county list of prequalified suppliers.

3.2 Data Analysis

The analysis of data went through a number of closely related operations namely establishment of categories, application of these categories to raw data through coding, tabulation and lastly drawing statistical

inferences. Editing was done to detect errors and omissions thus ensuring that the data are accurate, consistent with other facts gathered, uniformly entered, as complete as possible and arranged to facilitate and improve the quality of the data for coding and tabulation by reading through and correcting any topographical errors resulting from respondents not having been too careful when responding. Then coding followed that helped to transform categories of data into symbols that was tabulated and counted. Tabulation procedure, which is a technical application, was used to put classified data into tables. The study adopted both the qualitative and quantitative analysis in order to achieve the objective of the study. The former used descriptive statistics where tables were used. According to cooper, (2006) qualitative research includes an array of interpretive techniques, which seek to describe, decode, translate, and it seeks to develop understanding through a detailed description. Patton (2002) asserts that interpretive research is qualitative seeking to unearth collective frames of reference, or construed realities that guide the attribution of meaning and help account for how respondents create, enact and interpreted the reality they inhabit. It then assisted in answering the three research objectives in the interview schedules. For quantitative techniques, inferential statistics was applied in drawing conclusions and, in some cases, making predictions about the properties of a population based on information obtained from a sample. Inferential statistics are used to answer cause-and-effect questions, make predictions and investigate differences between and among groups. However, inferential statistics by themselves do not prove causality, thus such proof is always a function of a given theory, and it is vital that such theory be clearly stated prior to using inferential statistics. Multiple regression analysis technique was used to determine the effect of independent variables on the dependent variable, it was used to measures the relative influence of each independent variable based on its covariance dependent variable and was useful in forecasting. Usually, it is most appropriate when both the independent and dependent variables are interval, though some social scientists also use regression on ordinal data. Like correlation, regression analysis assumes that the relationship between variables is linear.

In its simplest form multiple regression analysis involves finding the best straight-line relationship to explain how the variation in an outcome (or dependent) variable, Y, depends on the variation in a predictor (or independent or explanatory) variable, X. Once the relationship is estimated, it is possible to use the equation:

$$Y = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

Where:

X = procurement strategic planning

X1 = needs assessment

X2 = Supplier identification

X3 = Contract management

X4 = Inspection feedback

e = Error of margin

IV. Results and Discussion

4.1 Tests for Regression Analysis Assumptions

4.1.1. Normality Test

Regression assumes that variables have normal distributions. Non-normally distributed variables can distort relationships and significance tests. To find out whether residuals follow a normal probability distribution, histograms and normal probability plots were used. The results of graphical analysis are shown in Figure 4.1

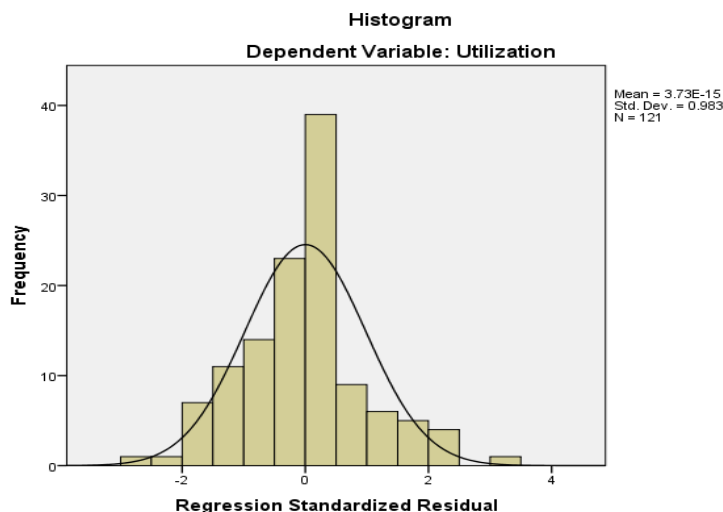


Figure 4.1 Normality test

4.1.2 Multicollinearity Test Assumption

The assumption of multicollinearity was tested using variance inflation factor and tolerance. The results are shown in Table 4.1.

Table 4.1 Multicollinearity Test Assumption

Model	Collinearity Statistics	
	Tolerance	VIF
Need Analysis	.544	1.839

a. Dependent Variable: Utilization

The findings indicate that Need Analysis output had variance inflation factor of 1.839 which implies that evaluations of relative strength of predictor variables and their joint effect were reliable. Hence beta weights and R-squares were reliably interpreted.

4.1.3 Autocorrelation Test

Durbin-Watson statistic was used to test for autocorrelation. The value of the Durbin-Watson coefficient was 2.082. This implies that there was negative autocorrelation of error terms as the Durbin-Watson statistic was above 2. According to Garson (2012), this means that it was correct to assume independent observation as it is expected that the value of Durbin Watson statistic should be between 1.5 and 2.5 if the multiple regression model is to be correctly fitted to the data. Hence, the study assumed that residuals were independent.

Table 4.2 Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.918 ^a	.842	.836	.329	2.082

a. Predictors: (Constant), inspection, Need Analysis, supplier selection, Contract management

b. Dependent Variable: Utilization

4.2 Multiple Regression Analysis

The study employed multiple regression analysis to test the hypotheses. Multiple regression analysis was conducted to test the influence among the study variables strategic procurement planning and utilization of county development funds in Uasin Gishu County. This is indicated in the section that follows

Table 4.3 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.918 ^a	.842	.836	.329

a. Predictors: (Constant), inspection, Need Analysis, supplier selection, Contract management

The linear regression analysis was used to test for the relationship between the dependent variable which include, inspection and feedback, and independent variable which is utilization of county funds. The coefficient of determination (R^2) and correlation coefficient (R) shows the degree of association between Need Analysis and utilization of county funds in Uasin Gishu. From table 4.3 the regression analysis indicate that $R^2 = 0.842$ and $R = 0.918$. R value gives an indication that there is a strong linear relationship between Need Analysis and utilization of county funds. The R^2 indicates that explanatory power of the independent variables is 0.842. This means that about 84.2% of the variation in utilization of county funds is explained by Need Analysis.

Table 4.4 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	66.723	4	16.681	154.415	.000 ^b
	Residual	12.531	116	.108		
	Total	79.254	120			

a. Dependent Variable: Utilization

b. Predictors: (Constant) Need Analysis

Table 4.4 shows the results of ANOVA test which reveal that Need Analysis has significant effect on utilization of county funds. Since the P value is 0.000 which is less than 5% level of significance. It implies that the model was significant.

Table 4.5 Coefficientsof the dependent and dependent variables

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error				
1	(Constant)	.770	.222		3.464	.001
	Need Analysis	.276	.053	.262	5.241	.000

a. Dependent Variable: Utilization

From the data in the above table the established regression equation was

Y= 0.770+0.276 Needs assessment.

From findings in table 4.5 Results from the regression model above indicated that there was a significant relationship (p = 0.000, B= 0.276) between needs assessment and utilization of county funds. This was interpreted to mean that needs assessment can influence utilization of county funds. Thus a unit change in needs assessment will lead to a 0.276 unit change in utilization of county funds. These findings are supported by PPOA (2009), which states that the commencement of the counties procurement department process is identification and need realization of requirements. This comes as a result of the inventory status, work plans, production schedules, projects plan, capital or operational requirements budgets and the procurement plan. Establishment of the supplies is the foundation for conducting market survey to establish characteristics such as prices to funds available, new sources of supply, new products or alternative or substitute products, nature of competition and environmental aspects that may have an effect on the market supply.

5.1 Conclusions

Based on the study findings on the influence of needs Analysis of procurement department on utilization of County Development Funds, the study concluded that, the amount of funds received by procurement department for projects affects Utilization of County Development Funds, the amount spent by the procurement department affects the Utilization of County Development Funds and allocations of funds by procurement department for different projects affects the Utilization of County Development Funds

5.2 Recommendation for policy and practice

Based on the objectives and conclusions this study recommends;

Procurement department to undertake effective needs assessment and share the information with user departments to prepare procurement plan based on the prevailing real market prices. Preparation of procurement plans is rather complex and tedious and the management needs to sensitize the users and procurement staff on the preparation and execution of procurement plans, this will contribute to the success of the county operations and improves utilization of funds.

Uasin Gishu county Government management should keep on adopting new supplier selection approaches since they are particularly critical for public institutions because of the role they play in relation to well performance of the whole procurement process.

Uasin gishu county to ensure effective decisions on outsourcing, establishing long-term contracts and contacts with certified and or preferred suppliers, adopting a supplier strategy based on multi-versus single sourcing, making investment decisions and related to policies concerning transfer pricing and intercompany suppliers, this will ensure efficiency in utilization of county development

Lastly on needs analysis and feedback Uasin gishu county Procurement should be started in accordance with development project’s purchase schedule to prioritize effective utilization of funds.

5.3 Recommendation for Further Research

The study suggests that further study should be undertaken in order to investigate the determinants of Strategic Procurement Planning in counties. Findings from such study will provide more insight on the relationship between the procurement performance, which could be useful in informing procurement strategies and policy in among county governments in kenya.

Further research should also consider utilizing both qualitative and quantitative techniques that can be used in assessing the efficiency of Strategic Procurement Planning.

Reference

[1]. Abok, M (2013). *The factors affecting effective implementation of strategic plans in Non-Governmental Organizations in Kenya*. Business Review, 6(2), 293-302

[2]. Al Ghamdi, S. M. (2008). *Obstacles to successful implementation of strategic decisions: The British experience*. European Business Review, Vol. 98 No.6, p.322-7.

[3]. Andrews, K. R. (2001). *The concept of corporate strategy*. Homewood, 111: Dow- Jones-Irwin.

[4]. Ansoff, H.I. (2005). *Corporate Strategy*. McGraw-Hill, New York

[5]. Atkinson, H. (2006). “*Strategy Implementation: A role for the balanced scorecard*”, Management Decision, 44 (10): 1441 -1460.

- [6]. Barney, J.B. (2001), "Firm Resources and Sustained Competitive Advantage", Journal of Management, 17 (1): 99 – 120.
- [7]. Blahova, M. & Knapkova, A., (2011). *Effective Strategic Action: From Formulation to Implementation*. IPEDR vol.2. IAC S IT Press, Manila, Philippines
- [8]. Bonn, I., & Christodoulou, C. (2006). *From strategic planning to strategic management*, Long Range Planning, 29(4),543-551
- [9]. Bowman, E.H. & Helfat C.E. 2001. "Does corporate strategy matter?" Strategic Management Journal, 22: 1-23
- [10]. Camillius, J. (2007). *Shifting The Strategic Management Paradigm*. European Management Journal, 15(1), 1-7
- [11]. Campbell, D., Stonehouse, G., and Houston, B., (2002), *Business Strategy: An Introduction*. (2nd Edn). Elsevier Butterworth-Heinemann
- [12]. Chaffee, E. (2005). *Three Models of strategy*, Academy of Management Review.
- [13]. David F (2009). *Ed. Strategic Management: concepts and cases*. Practice Hall: Canada.
- [14]. Dess, G., & Lumpkin, G. (2006). *Clarifying The Entrepreneurial Orientation Construct And Linking It To Performance*. Academy of management review, 21(1), 135-172
- [15]. Friedman, M. (2006). A strategy map for results-based budgeting: Moving from theory to practice. Washington, DC: The Finance Project.
- [16]. Harvey, F. (2008). *Strategic Management and Business Policy*. 2nd Edition, Eastern university of washington
- [17]. Hendry, J. (2000). *Strategic Decision Making, Discourse, And Strategy As Social Practice*. Journal Of Management Studies, 27(7), 955-977
- [18]. Higgins, J.M. (2005). The eight 'S's of successful strategy execution. *Journal of Change Management*, 5(1), 3-13.
- [19]. Hitt, M.A.; Ireland, R.D. And Hoskisson, R.E. 2005. *Strategic Management*. Ohio: South – Western.
- [20]. Johnson, G. (2007). *Strategic Change and Management Process*. Oxford: Blackwell Johnson, G., Scholes, K. and Whittington, R. (2005), *Exploring Corporate Strategy*. 7th Edition, Prentice Hall
- [21]. Kimber, P (2013). *Critical Obstacles When Implementing Strategy*. Nairobi: Kenya Institute for Public Policy Research and Analysis.
- [22]. Mugenda, O.M., & Mugenda, A.G. (2009). *Research Methods, Quantitative and Qualitative Analysis-African Center for Technology Studies*. Nairobi: Applied Research and Training Services (ACTS).
- [23]. Nader S. K., Mohammed R. A., Ali A. A. & Davod K. D. (2010): *Why does strategic plans implementation fails? A study in the health service sector of Iran*
- [24]. Ngugi, R. (2004). *Security Risk and Private Sector Growth in Kenya: A Survey Report*". Nairobi: Kenya Institute for Public Policy Research and Analysis.
- [25]. Orodho, A. & Kombo, D (2009) *Research Methods*, Nairobi, Kenyatta University, Institute of Open Learning

Solomon Kipsiria Biwott "Effects of Strategic Procurement Planning On Utilization of County Development Funds at Uasin Gishu County Government." IOSR Journal of Business and Management (IOSR-JBM) 19.12 (2017): 29-35.