INFLUENCE OF PROCUREMENT MANAGEMENT SYSTEMS ON PERFORMANCE OF MOTOR INDUSTRY IN KENYA

[1] Kamathi Eric Mwiti, [2] Dr. Ndeto Charles

[1]Masters student, Jomo Kenyatta University of Agriculture and Technology, Kenya
[2]Lecturer, Jomo Kenyatta University of Agriculture and Technology, Kenya

ABSTRACT

Procurement management system manages the evaluation, selection, and creation of formal agreements with suppliers. In Kenya, there has been complains regarding delayed consumer connection beyond expected time which is mostly caused by ineffective procurement management system which leads to delayed delivery of material, material stock out, lack of qualified personnel in procurement department, issues ethical behavior among the employees when dealing with the clients and lack embracing and adopting the modern technology all these stems from procurement principles that mostly the organization has failed to follow. This study therefore sought to establish the influence of procurement management system on performance of motor industry in Kenya. Specifically, the study sought to determine the influence of strategic sourcing and supply management on performance of motor industry in Kenya. The study utilized a descriptive research design. The unit of analysis was 225 registered motor vehicle importers operating within Nairobi (Registrar of businesses 2018). On the other hand the unit of observation was 225 managers of the registered motor vehicle importers operating within Nairobi. The study used census sampling method. This implies that all the 225 respondents participated in the study. In this study, questionnaires were used in the collection of primary data. Semi structured questionnaires were used for generation of qualitative and quantitative data which separately was analysed using different techniques. Descriptive and inferential statistic were used in analyzing quantitative data with the help statistical software known as SPPS version 21. Descriptive statistic entails calculation of percentage, frequencies and measurement of mean as well as measurement of dispersion. The final results were presented by use of figures (pie charts and bar charts) and tables. The relationship between dependent and independent variable(s) was determined through regression analysis. The study concludes that strategic sourcing and supply management has a significant effect on the performance of motor industry in Kenya. From the results, this study recommends that the management of motor industry in Kenya should formulate and implement effective strategies to enhance contract management.

Key Words: procurement management system, strategic sourcing, supply management, performance of motor industry

INTRODUCTION

Procurement management integrate various firm's operations and support functions, synchronizing production with new orders, purchasing with demand, scheduling and shipping with customer requirements. Growing sums of competitors locally and globally represent the modern business domain. Besides the managers having to re-establish their firms to respond promptly to the market changes, generate services and products that are of high quality, minimize garbage, they also must handle their procurement management system efficiently. Carter and Narasimhan (2018) suggest that SCM and procurement management system are associated with the organizational performance. According to O'Brien (2011) quick and precise management tools that minimize cycle time and create dependability, therefore, contributing positively to organizational performance are as a result of proper deployed procurement management system in a firm.

The car industry is one of the most important economic sectors by revenue in the world and is considered to be highly capital and labor intensive. Top managers have to precisely estimate future needs of customers, profile the key products, streamline the operations of the company and discover new emerging markets. The environment of turbulent automotive markets is highly competitive with more than 50 vehicle manufacturing groups around the world (Magambo, 2018).

The motor industry can be defined as an amalgamation of companies that manufacture and /or distribute vehicles including passenger cars, trucks, motor cycles, light and heavy commercial vehicles. Sobti (2003) defined the motor industry as automobile sector comprising of companies manufacturing/marketing all motor vehicles including 2-3 wheelers, passenger cars and multi utility vehicles, light and heavy commercial vehicles. This industry is further divided into two; the formal and informal sector. The informal motor vehicle sector comprises of imports of both new and used reconditioned vehicles whereas the formal sector deals with the assembling, manufacture of vehicles done in the country. This industry is one of the most important economic sectors by revenue, transportation and employment in Kenya (Munywoki, 2017).

Up to the early 1990's, Kenya used to boast of a robust vehicle assembly industry that supplied the country and the African region. Hundreds of Kenyans were engaged in these plants and their suppliers and skills flowed in briskly (Wachuka, 2018). With the liberalization of the motor industry, second hand imports flooded the market effectively killing the industrialization dream as far as vehicle assembly was concerned (Mwenda, 2018)

In response to the growing complexity of the industry and market issues, the Kenya Motor Industry Association (KMI) was formed in 1989 to co-ordinate commercial realities with national policies so as to provide a high-level forum within the industry and to create a single focal point of consensus and communication with government, other associations and the public. It is therefore important for the members of the Kenya Motor Industry Association (KMI) to come up with strategies that will give them a competitive edge in the market (Nath, Nachiappan, & Ramanathan, 2010).

2009 was yet another bad year for firms in the formal motor vehicle sector as the statistics from Kenya Motor Industry (KMI) show that the industry has remained resilient in the face of major political and economic challenges. During the year the local industry registered more than 22% drop in new car sales due to the decline of major industrial sectors and direct government spending. Due to the decline in sales, the members need to come up with strategies that would enable them compete with the second hand motor vehicle firms (Business Daily, 2010)

Problem Statement

Procurement management system manages the evaluation, selection, and creation of formal agreements with suppliers. It also manages ongoing supplier relationships and the transactional purchasing of goods and services, working with accounts payable to complete the source-to-settle cycle by processing supplier invoices for payment. The purpose for procurement management system in motor industry in Kenya is to ensure that in a harmonized procedure, all goods and services purchased by public institutions are done in a way that ensures a careful, economic and efficient use of public resources (Thai, 2017). It is also to ensure that transactions are devoid of corruption, but are done in fairly, plainly and in a transparent manner, whereas encouraging competition among local players.

In Kenya, there has been complains regarding delayed consumer connection beyond expected time which is mostly caused by ineffective procurement management system which leads to delayed delivery of material, material stock out, lack of qualified personnel in procurement department, issues ethical behavior among the employees when dealing with the clients and lack embracing and adopting the modern technology all these stems from procurement principles that mostly the organization has failed to follow. In Kenya, to coordinate successfully, the procurement processes and operations, procuring firms with the help of the prevailing legal framework must integrate departmental procurement management system to give a company's corporate procurement programme that prior to its execution should access the accounting professional's consent (Apiyo & Mburu, 2019).

Motor industry in Kenya is still struggling to come with an effective not procurement management system. This has led to inadequate access to data and analytical capability, inability to smartly manage procurement contracts and inability to analyze spending patterns. In most cases lack of procurement management system have led to Limited interest from vendors, due to payment model and standard government contracts. The low profits have also seen dealers change into second hand vehicles for survival, which made Kenya a dumping ground for the western countries and Japan. Data from Kenya Motor Industry (the industry lobby) show that the sale of new motor vehicles dropped by 39 per cent in 2009. The hemorrhage in the market place is due to the country's ineffective procurement management system as well as underperforming economy that is keeping potential customers mainly government and corporate Kenya away from showrooms. Most individuals have opted for the second hand versions, lured by lower pricing despite the high maintenance costs they expose the Kenyan economy to, and foreign exchange loss as a result of importation of spare parts which are not locally available and have high failure rate compared to the new vehicles. 84 per cent of the Kenyan motor industry is controlled by second hand vehicles. This is despite the fact that the Kenya manufacturing capacity has been underutilized over the past five years. General Motors (EA) Ltd capacity was at 42 per cent utilization. General Motors (East Africa) Ltd also recorded a -4.07 per cent dip in the market share in 2011 as compared to 2010 the same time (KMI, 2020).

Various studies have done in relation to project management system and performance of motor industry in Kenya. For instance, Munywoki (2018) conducted a study on factors affecting the sale of new vehicles in the motor vehicle industry: a case study of Simba corporation limited, Nairobi and Jospine (2019) investigated the factors affecting profitability of new motor vehicles sales in Kenya: a case study of Ryce East Africa Limited. In addition, Munge (2018) also did a study on effect of strategic planning outcomes on performance of motor vehicle industry in Kenya and Ongola (2020) examined the operations strategy and performance among motor vehicle assemblers in Kenya. However, none of the reviewed studies focused on influence of procurement management system on performance of motor industry in Kenya. It's against this knowledge gap

this study seeks to bridge by establishing the influence of procurement management system on performance of motor industry in Kenya.

Objective of the Study

The purpose of this study is to establish the influence of procurement management system on performance of motor industry in Kenya. Specifically, the study sought to;

i. To determine the influence of strategic sourcing and supply management on performance of motor industry in Kenya.

LITERATURE REVIEW

Theoretical Review

Resource based view theory

Resource based theory identifies and analyzes an organization's strategic advantages that will in turn be a source of competitive advantage. These competitive advantages may be organizational, human or financial and their advantages are conferred based on their rareness, uniqueness and value. Resource Based Theory emphasizes that competitive advantage in organizations is determined through proper planning and functioning of procurement. Peteraf and Barney (2003), states two assumptions used in analyzing competitive advantage using this theory; one, firms within the same industry may have diverse resources and the other, believes this dissimilarity in resources may continue for a long duration

Conceptual Framework

The purpose of this study is to determine to what levels the dependent variable relies on the independent variables. The conceptual framework is usually to illustrate how the system of concepts, expectations, beliefs, assumptions and theories informs and support the research and forms a key part of the research design. The conceptual framework illustrates diagrammatically how these variables relate to each other.
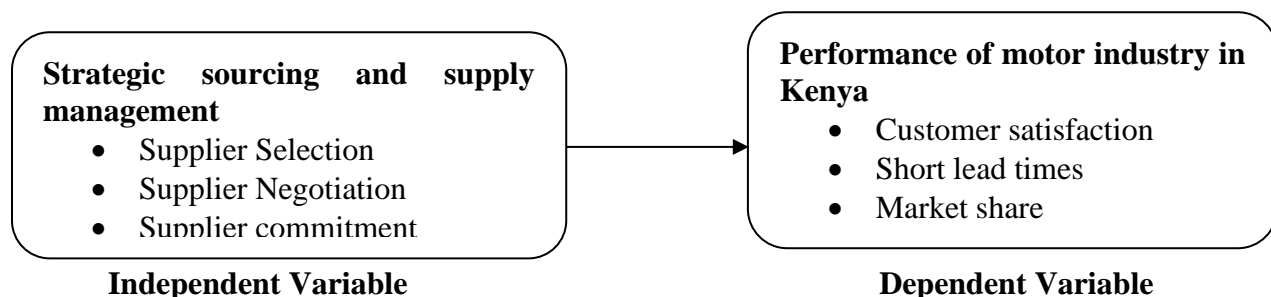

Strategic sourcing and supply management		Performance of motor industry in Kenya
• Supplier Selection • Supplier Negotiation • Supplier commitment	→	• Customer satisfaction • Short lead times • Market share
Independent Variable		**Dependent Variable**

Figure 1: Conceptual Framework

RESEARCH METHODOLOGY

This study utilizes a descriptive research design. The unit of analysis was 225 registered motor vehicle importers operating within Nairobi (Registrar of businesses 2018). On the other hand the unit of observation was 225 managers of the registered motor vehicle importers operating within Nairobi. This study therefore used census sampling method. This implies that all the 225 respondents participated in the study. In this study, questionnaires were used in the collection of primary data. Moreover, the questionnaire contained close-ended and open- ended questions. Qualitative data from the open ended questions was analysed through use of thematic analysis.

Descriptive and inferential statistic were used in analyzing quantitative data with the help statistical software known as SPPS version 21. Descriptive statistic entails calculation of percentage,

frequencies and measurement of mean as well as measurement of dispersion. The final results were presented by use of figures (pie charts and bar charts) and tables. The relationship between dependent and independent variable(s) was determined through regression analysis.

RESEARCH FINDINGS AND DISCUSSION

Out of 225 questionnaires which were distributed, 216 were duly filled and returned. The drop-off and pick-up-later method yielded a response rate of 96%. According Creswell (2019), response rate is the ratio of the interviewed respondents to the sample size intended to be covered by the study. According to Greenfield and Greener (2018) a response rate of 75 per cent is adequate for analysis, for making conclusions and making inferences about a population.

Descriptive Statistics Analysis

Strategic Sourcing and Supply Management and Performance of Motor Industry

The fourth specific objective of the study was to determine the influence of strategic sourcing and supply management on performance of motor industry in Kenya. The respondents were requested to indicate their level of agreement on various statements relating to strategic sourcing and supply management and performance of motor industry in Kenya. A 5 point Likert scale was used where 1 symbolized strongly disagree, 2 symbolized disagree, 3 symbolized neutral, 4 symbolized agree and 5 symbolized strongly agree. The results were as presented in Table 1.

As shown in the results, the respondents agreed that they are satisfied with the supplier selection process in their organization. This is shown by a mean of 3.973 (std. dv = 0.858). In addition, with a mean of 3.955 (std. dv = 0.688), the respondents agreed that supplier negotiation influences performance of motor industry in Kenya. The respondents also agreed that strategic sourcing and supply management influences performance of motor industry in Kenya. This is supported by a mean of 3.893 (std. dv = 0.859). With a mean of 3.807 (std. dv = 0.752), the respondents agreed that they are satisfied with the level of supplier commitment in their organization.

Table 1: Strategic Sourcing and Supply Management and Performance of Motor Industry

	Mean	Std. Deviation
Strategic sourcing and supply management influences performance of motor industry in Kenya	3.893	0.859
Am satisfied with the supplier selection process in our organization	3.973	0.858
Supplier negotiation influences performance of motor industry in Kenya	3.955	0.688
Am satisfied with the level of supplier commitment in our organization	3.807	0.752
Aggregate	**3.817**	**0.801**

Performance of Motor Industry in Kenya

The respondents were requested to indicate their level of agreement on various statements relating to performance of motor industry in Kenya. A 5 point Likert scale was used where 1 symbolized strongly disagree, 2 symbolized disagree, 3 symbolized neutral, 4 symbolized agree and 5 symbolized strongly agree. The results were as presented in Table 2.

As shown in the results, the respondents agreed that their company has grown in terms of market share. This is shown by a mean of 3.987 (std. dv = 0.876). In addition, with a mean of 3.930 (std. dv = 0.651), the respondents agreed that time taken to offer services to customers has reduced. The respondents also agreed that they are satisfied with the level of customer satisfaction in their organization. This is supported by a mean of 3.929 (std. dv = 0.838). With a mean of 3.854 (std.

dv = 0.789), the respondents agreed that there are few customer complaints concerning the quality of their services. With a mean of 3.813 (std. dv = 0.849), the respondents agreed that in their organization, customers are given the top priority.

Table 2: Performance of Motor Industry in Kenya

	Mean	Std. Deviation
In our organization, customers are given the top priority	3.813	0.849
Am satisfied with the level of customer satisfaction in our organization	3.929	0.838
Time taken to offer services to customers has reduced	3.930	0.651
There are few customer complaints concerning the quality of our services	3.854	0.789
Our company has grown in terms of market share	3.987	0.876
Aggregate	**3.817**	**0.801**

Inferential Statistics

Correlation Analysis

The present study used Pearson correlation analysis to determine the strength of association between independent variable and the dependent variable (performance of motor industry in Kenya). Pearson correlation coefficient range between zero and one, where by the strength of association increase with increase in the value of the correlation coefficients.

The results also revealed that there was a very strong relationship between strategic sourcing and supply management and performance of motor industry in Kenya (r = 0.820, p value =0.001). The relationship was significant since the p value 0.001 was less than 0.05 (significant level). The findings are in line with the findings of Munge (2018) who indicated that there is a very strong relationship between strategic sourcing and supply management and firm performance

Table 3: Correlation Coefficients

		Firm Performance	Strategic Sourcing And Supply Management
Firm Performance	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	216	
Strategic Sourcing And Supply Management	Pearson Correlation	.820**	1
	Sig. (2-tailed)	.001	
	N	216	216

Regression Analysis

Regression analysis was used to assess the relationship between independent variable and the dependent variable (performance of motor industry in Kenya).

The model summary was used to explain the variation in the dependent variable that could be explained by the independent variables. The r-squared for the relationship between the independent variables and the dependent variable was 0.847. This implied that 84.7% of the variation in the dependent variable (performance of motor industry in Kenya) could be explained by independent variables (contract management, billing management, asset and inventory management and strategic sourcing and supply management).

Table 4.: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.919[a]	.845	.847	.11672

The ANOVA was used to determine whether the model was a good fit for the data. F calculated was 105.380 while the F critical was 2.414. The p value was 0.001. Since the F-calculated was greater than the F-critical and the p value 0.001 was less than 0.05, the model was considered as a good fit for the data. Therefore, the model can be used to predict the influence of contract management, billing management, asset and inventory management and strategic sourcing and supply management on performance of motor industry in Kenya.

Table 5: Analysis of Variance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	118.027	4	29.507	105.38	.001[b]
	Residual	5.968	211	.028		
	Total	123.995	215			

a. Dependent Variable: performance of motor industry
b. Predictors: (Constant), Strategic Sourcing And Supply Management

The regression model was as follows:

$$Y = 0.353 + 0.411X + \varepsilon$$

In addition, the results revealed that strategic sourcing and supply management has a significant effect on performance of motor industry in Kenya $\beta1=0.411$, p value= 0.000). The relationship was considered significant since the p value 0.000 was less than the significant level of 0.05. The findings are in line with the findings of Munge (2018) who indicated that there is a very strong relationship between strategic sourcing and supply management and firm performance.

Table 5: Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.353	0.079		4.468	0.003
Strategic Sourcing And Supply Management	0.411	0.087	0.412	4.724	0.000

a Dependent Variable: Performance of motor industry in Kenya

Conclusions

The study concludes that strategic sourcing and supply management has a significant effect on the performance of motor industry in Kenya. Findings established that supplier selection, supplier negotiation, supplier commitment influence the performance of motor industry in Kenya

Recommendations

The study found that strategic sourcing and supply management has a significant effect on the performance of motor industry in Kenya. This study therefore recommends that the management of motor industry in Kenya should ensure effective strategies on supplier selection, supplier negotiation, supplier commitment.

Suggestions for Further Studies

This study focused on the influence of procurement management system on performance of motor industry in Kenya. Having been limited to motor industry in Kenya, the study findings cannot be generalized to other sectors in Kenya. The study therefore suggests further studies on the influence of procurement management system on performance of other sectors in Kenya.

Further, the study found that the independent variables (contract management, billing management, asset and inventory management and strategic sourcing and supply management) could only explain 84.7% of performance of motor industry in Kenya.. This study therefore suggests research on other factors affecting performance of motor industry in Kenya..

REFERENCES

Apiyo, R. O. & Mburu, D. K. (2019). Factors affecting procurement planning in county governments in Kenya: a case study of Nairobi City County. *International Journal of Economics, Commerce and Management*, 2(11), 1-34.

Hoyer, W. D., & MaclnnisDebroah, J. (2019). Consumer behavior (3rd ed) . New Jersey: Houghton Mifflin company.

Inoti, J. M., & Mbura, L. K. (2017). Entrepreneurial factors affecting performance of motor repair firms in Nairobi industrial area: a case of members of the Kenya motor vehicle repairers association (KEMRA). *International Academic Journal of Innovation, Leadership and Entrepreneurship, 2*(1), 46-70.

Keller, K. L. (2018). Strategic brand management: Building, measuring and managing brand equity. London: *Prentice Hall International, 5*(4), 56-79.

Kenya National Bureau of Statistics. (2012). Economic Survey 2012. Nairobi: Government Printers.

Luis, R.G.M., David, B.B., & Robert, L.C. (2010). Managing Human Resource Management. Pearson: United States.

Lumpkin, G. T. & Dess, G. G. (2001). Linking two Dimensions of Entrepreneurial Orientation to Firm Performance: The Moderating role of Environment and Industry life cycle. *Journal of Business Venturing, 16*(5), 429-451.

Magambo, E. N. (2018). Factors Affecting Growth of MSES: A Case Of Jua Kali Motor Garages In Shauri Moyo, Nairobi, City County. *Strategic Journal of Business & Change Management, 2*(2), 102-143

Matthew, J., Grawhich, & Barber, L.K. (2009). *Are you focusing both employees and organizational outcomes. Organizational Health Initiative*. Saint Louis University.

Mugenda, O. M & Mugenda, A.G (2012). *Research Methods, Quantitative & Qualitative Approaches,* Acts Press, Nairobi

Munywoki, H. (2017). *Factors Affecting the Sale of New Vehicles in The Motor Vehicle Industry: A Case Study of Simba Corporation Limited, Nairobi*. A Doctoral dissertation, MUA.

Muyengwa, G., Dube, P., Battle, K., & Masinga, E. (2019). An Enterprise Development Initiative: Incubation in the South African Motor Body Repair Sector. *In Balkan Region Conference on Engineering and Business Education, 1*(2), 41-46).

Nath, P., Nachiappan, S., & Ramanathan, R. (2010). The impact of marketing capability, operations capability and diversification strategy on performance: A resource based view. *Industrial Marketing Management Journal, 39*(2), 317−329.

Nawier M. A. (2019). Workplace environment and its impact on employee performance. Master thesis. Open University of Malaysia.

Thai, K. V. (2017). International public procurement: concepts and practices. *International handbook of public procurement*, 2(1), 33-56.