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RELATIONSHIP BETWEEN SUPPLIER RELATIONSHIP MANAGEMENT AND IMPLEMENTATION LEVEL OF PUBLIC PROCUREMENT REGULATORY FRAMEWORK IN THE DEVOLVED GOVERNMENTS IN KENYA

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PROCUREMENT

RELATIONSHIP BETWEEN SUPPLIER RELATIONSHIP MANAGEMENT AND IMPLEMENTATION LEVEL OF PUBLIC PROCUREMENT REGULATORY FRAMEWORK IN THE DEVOLVED GOVERNMENTS IN KENYA

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Abstract

Purpose: The purpose of this study was to establish the relationship between supplier relationship management and implementation level of public procurement regulatory framework in the devolved governments in Kenya.

Methodology: The study used descriptive design. The population targeted was 47 devolved governments in Kenya. The study adopted census because of the small size of the population. A structured questionnaire was used as a data collection tool. The study also undertook a pilot test on the instrument's reliability and validity in the 3 counties; Nyamira, Kisii, Homa-Bay Counties where nine (9) respondents were engaged in the pilot study. Cronbach's co-efficient Alpha and confirmatory factor analysis (CFA) were used to measure the reliability and validity respectively. The data was cleaned and coded then entered into SPSS 25 to be analyzed. The use of descriptive and inferential statistics for data analysis was considered. Study engaged the key informers from the 44 county Governments who positively responded hence achieving 100% response rate. The statistical tests were also done in the study. Presentation of data was in form of charts and tables as deemed appropriate. The study also used ANOVA to analyze the degree of relationship between the variables in the study.

Results: The findings obtained indicated that there was significant relationship between supplier relationship management on level of implementation of public procurement regulatory framework in the devolved governments in Kenya. The findings indicated that for every unit of supplier relationship management the value of implementation level of public procurement regulatory framework in the devolved governments in Kenya changes with a positive significance increase of 1.105 in the presence of a moderator.

Unique contribution to theory, practice and policy: The study recommended that the devolved governments functions should embrace supplier's commitment level on quality of goods and services in their operations such as information sharing between the buyer, improve on their commitment on suppliers' payment, increase commitment level in supplier partnership and development to improve the supplier's commitment level and value addition or creation in service delivery.

Key words: *Supplier Relationship Management, Public Procurement, Regulatory Framework Devolved Governments*

1.0 INTRODUCTION

Supplier Relationship Management (SRM) is a way and form of interacting with suppliers (Calvinato, 2012). Supply chain specialist viewed supplier relationship management to be a structured system approach in defining what they expect from a supplier and managing the links between the companies to achieve the desired needs. SRM plays an important role between the organization and the end user. Several Organizations have challenges within their chains of networks hence loss of business. It is advisable for such organizations to consider and adopt Supplier relationship management practice to increase their efficiency in the supply chain. Hughes (2010) states that inefficient and ineffective in the supply chains process are major causes of inadequacy in the organization achieving its set goals. He further insists that organizations with integrated supply chains network process posted a high profit than those who paid less attention to supply chains process.

Al-Abdallah and Aynman (2014) conducted a study on SRM impact on competitive performance of manufacturing firms in four countries, Japan, Korea, USA, and Italy. Al-Abdallah and Aynman (2014) revealed that buying firms improved the performance through relationship management with suppliers. The study findings showed that companies cannot only depend on the inner system to achieve higher productivity. Kepher and Ismael (2015) carried out research on the role of Supplier Management on Procurement Performance in Manufacturing Sector in Kenya. Al-Abdallah and Aynman (2014) recommended that East Africa Breweries (EAB) should review its buyer supplier integration to improve procurement performance. They further stated that EAB should improve its Supplier Training in promoting information sharing and supporting its ERP systems.

East Africa Breweries Limited (EABL) should maintain or if possible, improve its Supplier collaboration in regards to forecasting, flexibility and having a contingency management system. The study further recommends that EABL should utilize procurement practices to strengthen its quality control. Nyamasege and Biraori (2015) researched on effect of SRM on effective of Supplier Chain Management (SCM) in public sector. They revealed that to manage supplier relationship the ministry should insist on centralized use of items. Also, the PEs to develop supplier base activities such as delivery schedules, complaints, quality management processes. Procurement officers should enhance communication standards with its suppliers. They further recommended that the interaction should provide suppliers on how information and flows provided.

Tangus (2015) researched on impact of SRM on performance of manufacturing firms in Kisumu County. Findings were the need for organization to establish supplier development programs to encourage firms to be interested in programs that enhance productivity of the supplier, hence higher performance of the organization are realized. Performance of firms may be improved through supplier development engagement activities. Tangus (2015) further viewed that firms should manage strategically supplier base on basis of value of spending on items being procured. This enhances firms to be able to categorize the suppliers according to every supplier's importance. Tangus (2015) recommended that information sharing increase productivity the firms. Therefore, production organization to share information to improve the performance.

Kitheka and Mulwa (2013) argued in the study on effect of supplier quality management on organization performance Kakamega County. They indicated that prior noticing of errors should be improved through pre-dispatch inspections so that discouragements are reduced at the customers. The top management in the supermarkets and supplier organizations should be part of the supplier quality management to eliminate frustrations in the process. According to Wachira (2013) ascertained that trust, communication, strategic supplier partnership as key supplier relationship elements in procurement productivity. This was scored by Kamau (2013) who in his finding concluded that trust, communication, commitment, cooperation to be key elements in achieving relationship objectives.

1.1 Statement of the Problem

Public procurement is the platform through which most government projects are executed, hence there is a need for monitoring and evaluating the implementation processes to achieve service delivery to the citizens and realize value for money (Juma, 2015). The Commission of Revenue Allocation report 2018/2019 revealed revenues allocated to counties was about Ksh. 314 billion for development as demanded by the Constitution of Kenya 2010. Caroline (2018) argued that most county governments have been criticized and are under investigation for procurement malpractices, corruption cases, ghost projects and massive wastage of public resources due to non-compliance in the procurement processes. The PPOA, 2016 report indicates that 40% of the Procuring entities had no adequate procurement staff with enough skills to drive the procurement functions professionally in the Counties. This was confirmed by Ringa (2017) who established that majority of county procurement staff have limited knowledge and experience to undertake procurement professional roles to effectively implement procurement procedures as required by the Act and this has dealt a major setback on service delivery. The PPOA Annual Report 2017/2018 revealed an average score for all the county executives was 39.70% which is considered non-compliant of Procurement system and a high risk level of 60.30%. The audit discovered that Migori County Government failed to provide the necessary procurement documentation required to support their procurement processes and as a result the entity was scored zero (0) on compliance and thus a high risk score of 100% of non-adherence of the procurement procedures. The higher the risk score, the higher the possibility of a procuring entity failing to obtain value for money expenditure in procurement activities. It was also clear from the report that the aggregate compliance level and implementation score of all the County Assemblies was 46.6% with risk level of 53.4% of procurement non-compliance. It was also reported that Trans Nzoia County Assembly failed to provide the required documents for procurement processes and as a result the entity scored zero (0) on compliance and a high risk of 100%. The Public Procurement Regulatory Authority report 2017/2018 established that 223 complaints from suppliers and the public against County governments procuring entity was received. The 146 complaints had been resolved at the end of FY 2017/2018, while 77 were unresolved by the PEs. The complaints resulted from flaws in tender evaluation and specifications, on Supplier's delayed payments, lack of notification of awards, errors in tender notices, alleged corrupt practices during procurement proceedings, termination of procurement proceedings, failure by procuring entities to respond to bidder's requests for information regarding tenders. The PPOA Annual Report 2015/2016 revealed that most Procuring entities at the County governments have major challenges of failure in updating store records, security of

store and failure to conduct regular stock taking. The Procuring entities have maintained Assets Registers that were not up to date as indicated in the report and this was non-compliance in implementing inventory controls and management. This was confirmed by Ombuki *et al.*, (2014) that implementation of Procurement practices remains a challenge to the county government despite efforts made by Procurement regulatory authority to establish effective compliance levels. A study by Victor (2012) & Daniel (2010) discussed on the implementation of PP in the public organizations in general. Njeru and Silas (2015) explored the implementation of PP in tertiary training institutions and left a major knowledge gap on management practices and implementation for PPR in devolved governments in Kenya.

2.0 METHODOLOGY

The study used descriptive design. The population targeted was 47 devolved governments in Kenya. The study adopted census because of the small size of the population. A structured questionnaire was used as a data collection tool. The study also undertook a pilot test on the instrument's reliability and validity in the 3 counties; Nyamira, Kisii, Homa-Bay Counties where nine (9) respondents were engaged in the pilot study. Cronbach's co-efficient Alpha and confirmatory factor analysis (CFA) were used to measure the reliability and validity respectively. The data was cleaned and coded then entered into SPSS 25 to be analyzed. The use of descriptive and inferential statistics for data analysis was considered. Study engaged the key informers from the 44 county Governments who positively responded hence achieving 100% response rate. The statistical tests were also done in the study. Presentation of data was in form of charts and tables as deemed appropriate. The study also used ANOVA to analyze the degree of relationship between the variables in the study.

3.0 RESULTS

3.1 Supplier Relationship management and Implementation level of public procurement regulatory

The study sought to establish the relationship between supplier relationship management and implementation level of Public Procurement Regulatory frame work in devolved governments in Kenya. To measure County procurement officers' perception on supplier relationship management and level of implementation of public procurement regulatory frame work, a five point Likert scale of 1-5 were applied; where 5-strongly disagree, 4-Disagree, 3-undecided, 2-Agree, 1-Strongly Agree. The findings in Table 1 indicates that the respondents expressed their knowledge level of supplier relationship management in terms of the organization's commitment level in supplier partnership/development influence on level of implementation of Public Procurement Regulatory frame work which had 25(56.7%) of the respondents who felt that the organization's commitment level in supplier partnership/development influence on level of implementation of Public Procurement Regulatory, followed by 26(27.3%), 4(9.1%), 2(4.5%) and 2(2.3%). This implied that the majority 51(56.8%) of the procurement officers felt that organization's commitment level in supplier partnership/development influence level of implementation of Public Procurement Regulatory frame work ($M = 3.22$, $SD = 0.75$). The level of information sharing between the buyer/supplier management relations influence on level of

implementation of procurement regulatory had 22(50.0%) of the respondents who felt that level of information sharing between the buyer/supplier management relations have influence on level of implementation of procurement regulatory, followed by 16(36.4%), 4(9.1%) and 2(4.5%). This implied that the majority 22(50.0%) of the procurement officers felt that level of information sharing between the buyer/supplier management relations have influence on level of implementation of procurement regulatory framework ($M = 3.38$, $SD = 0.71$). The level of implementation of public procurement regulatory frame work had 16(36.4%) of the respondents who felt that organization's level of commitment on suppliers' payment influence level of implementation of procurement regulatory, followed by 12(27.3%), 10(22.7%), 5(11.4%) and 1(2.3%). This implied that the majority 15(34.1%) of the procurement officers felt that organization's level of commitment on suppliers' payment influence level of implementation of procurement regulatory ($M = 3.11$, $SD = 1.02$).

The organization's Commitment level in appraising its suppliers on level of implementation of public procurement regulatory frame work had 15(34.1%) of the respondents who felt that organization's Commitment level in appraising its suppliers influence level of implementation of procurement regulatory, followed by 14(31.8%), 9(20.5%), 3(6.8%). This implied that the majority 15(34.1%) of the procurement officers felt that organization's Commitment level in appraising its suppliers influence level of implementation of public procurement regulatory ($M = 2.83$, $SD = 1.05$). The supplier's commitment level on value addition/creation on deliveries on level of implementation of procurement regulatory had 23(52.3%) of the respondents who felt that the supplier's commitment level on value addition/creation on deliveries influence level of implementation of procurement regulatory, followed by 9(20.5%), 2(4.5%) and 1(2.3%). This implied that the majority 23(52.3%) of the procurement officers felt that the supplier's commitment level on value addition/creation on deliveries influence level of implementation of procurement regulatory ($M = 3.11$, $SD = 0.88$). The supplier's commitment level on quality of goods and services improvement on level of implementation of public procurement regulatory had 25(56.8%) of the respondents who felt that supplier's commitment level on quality of goods and services improvement influence level of implementation of procurement regulatory, followed by 10(22.7%), 4(9.1%) and 1(2.3%). This implied that the majority 25(56.8%) of the procurement officers felt that that supplier's commitment level on quality of goods and services improvement influence implementation level of procurement regulatory ($M = 3.51$, $SD = 2.12$). The buyer/supplier collaboration level in new product development on level of implementation of public procurement regulatory frame work had 20(45.5%) of the respondents who felt buyer/supplier collaboration level in new product development influence level of implementation of procurement regulatory, followed by 10(22.7%), 8(18.2%), 4(9.1%) and 2(4.5%). The study findings implied that the majority 20(45.5%) of the procurement officers felt that that buyer/supplier collaboration level in new product development influence level of implementation of procurement regulatory framework ($M = 2.91$, $SD = 0.94$).

The organization Trust-based relationship with suppliers on level of implementation of public procurement regulatory frame work had 20(45.5%) of the respondents who felt that the organization Trust-based relationship with suppliers influence level of implementation of procurement regulatory, followed by 12(27.3%), 10(22.7%), 0(0.0%) and 3(6.8%). This implied that the majority 20(45.5%) of the procurement officers felt that the organization Trust-based

relationship with suppliers influence level of implementation of procurement regulatory ($M = 3.11$, $SD = 0.78$). The delivered goods rejected due to non-conformity to specifications on level of implementation of procurement regulatory frame work had 21(47.7%) of the respondents who felt that delivered goods rejected due to non-conformity to specifications influence level of implementation of procurement regulatory, followed by 15(34.1%), 4(9.1%) and 2(4.5%). The study findings implied that the majority 21(47.7%) of the procurement officers felt that the delivered goods rejected due to non-conformity to specifications influence level of implementation of public procurement regulatory ($M = 2.47$, $SD = 0.89$). The Supplier failure to honor the orders issued by the buyer on level of implementation of procurement regulatory had 22(50%) of the respondents who felt that Supplier failure to honor the orders issued by the buyer influence level of implementation of procurement regulatory, followed by 13(29.5%), 5(11.4%), 3(6.8%) and 1(2.3%). The study findings implied that the majority 22(50%) of the procurement officers felt that Supplier failure to honor the orders issued by the buyer influence level of implementation of procurement regulatory ($M = 2.56$, $SD = 0.86$).

In summary, based on the supplier relationship management and how procurement officers perceived level of implementation of public procurement regulatory framework, the most important factor perceived by procurement officers to contribute to the level of implementation of procurement regulatory was supplier's commitment level on quality of goods and services (Mean=3.51), whereas the least important factor perceived by procurement officers to contribute to the level of implementation of procurement regulatory was delivered goods rejected due to non-conformity to specifications (Mean=2.47). The study findings imply that a lot more need to be done to improve on the two elements (trust and commitment). Trust and commitment serve a glue that binds the relationships together. Without trust and commitment, supply chain members may not be satisfied with the relationship (Maloni and Benton, 2005). The results also agree with the study by Kamau (2013) who viewed that communication, trust, commitment, mutual goals and cooperation are key in effective SRM which will impact on organization productivity. Poor supplier record management leads to high costs incurred in prolonged order cycle times. This leads to poor organization productivity due to lack of maintaining good relationships with their suppliers. This was underscored by Kosgei and Gitau (2016) that SRM goal is to streamline and make efficient and effective process among the product and suppliers. SRM in the recent past achieved relevance and enhanced supplier's positive relationship for better performance through minimization of costs in procurement and quality product deliveries. The results were consistent with those of Tangus (2015) on the need for organization to establish supplier development programs to encourage firms to be interested in programs that enhance productivity of the supplier, hence higher performance of the organization are realized. Performance of firms may be improved through supplier development engagement activities. Successful management of SRM, reduces costs beyond traditional sourcing, improves the drive and monitoring of performance of supplies, manage supply risk and compliance with responsible sourcing, ethics and regulatory requirement (Deloitte, 2015). Treating county suppliers as a partner and maintaining effective communication goes a long way toward creating a sustained mutually beneficial relationship. This is one of the crucial aspects of supplier relationship management. This requires open and transparent supplier conversations as well as feedback sessions. Unfortunately, many procurement officers handling supplier relationships often have little regard

for the regulations that guides the procurement processes that undermines the degree of the supplier's trust.

Table 1 Descriptive analysis of Supplier relationship management and Implementation level of public procurement regulatory (N =44)

STATEMENTS	5	4	3	2	1	Mean	Std. dev
The organization's commitment level in supplier partnership / development.	2(4.5%)	12(27.3%)	25(56.8%)	4(9.1%)	1(2.3%)	3.22	0.75
The level of information sharing between the buyer / supplier management relations	2(4.5%)	16(36.4%)	22(50.0%)	4(9.1%)	0(0.00%)	3.38	0.71
The organization's level of commitment on suppliers' payment	5(11.4%)	10(22.7%)	16(36.4%)	12(27.3%)	1(2.3%)	3.11	1.02
The organization's Commitment level in appraising its suppliers	3(6.8%)	9(20.5%)	15(34.1%)	14(31.8%)	3(6.8%)	2.83	1.05
The supplier's commitment level on value addition/creation on deliveries	2(4.5%)	9(20.5%)	23(52.2%)	9(20.5%)	1(2.3%)	3.11	0.88
The supplier's commitment level on quality of goods and services improvement	4(9.1%)	10(22.7%)	25(56.8%)	4(9.1%)	1(2.3%)	3.51	2.12
Buyer/supplier collaboration level in new product development	2(4.5%)	10(22.7%)	20(45.5%)	8(18.2%)	4(9.1%)	2.91	0.94
The organization Trust-based relationship with suppliers	3(6.8%)	12(27.3%)	20(45.5%)	9(20.5%)	0(0.00%)	3.11	0.79
Delivered goods rejected due to non-conformity to specifications	2(4.5%)	2(4.5%)	15(34.1%)	21(47.7%)	4(9.1%)	2.47	0.89
Supplier failure to honor the orders issued by the buyer	1(2.3%)	5(11.4%)	13(29.5%)	22(50%)	3(6.8%)	2.56	0.86

3.2 Regression Analysis

3.2.1 Regression Analysis for Supplier Relationship Management and Implementation level of Public Procurement Regulatory with no moderator

The study sought to describe the relationship between Supplier Relationship Management on implementation level of public procurement regulatory framework in devolved governments in Kenya. The objective was tested using hypotheses that; there is no significant association between Supplier Relationship Management and implementation of public procurement regulatory framework in devolved governments in Kenya. Analysis using Pearson's product moment correlation statistic to test the relationship between the Supplier Relationship Management and implementation of public procurement regulatory framework in devolved governments in Kenya indicated that R -square value of 0.39921 was recorded showing that (39.91%) of implementation of public procurement regulatory framework in devolved governments in Kenya was explained by supplier relationship management. F-statistics value was 27.858 with p-values 0.00000 which were less than 0.05 in the models in the absence of moderator. It was clear from the table that the regression coefficient model obtained in the absence of moderator and was as follows: $Y = 0.691 + 0.814X_2$. The models indicated that for every unit of supplier relationship management the value of implementation level of public procurement regulatory framework in devolved governments in Kenya changes by 0.814 in absence of moderator.

Table 2: Regression Analysis for Supplier Relationship Management and Implementation level of Public Procurement Regulatory with no moderator

Model	R	R Sq.	Adjusted R Sq.	Std. Error of the Estimate	Durbin-Watson
1	.631 ^a	.399	.384	.35344	2.246

a. Predictors: (Constant), Supplier Relationship Management

Analysis of Variance

Model		Sum of Sq.	Df.	Mean Sq.	F	Sig.
1	Reg	3.480	1	3.480	27.858	.000 ^b
	Residual.	5.247	42	.125		
	Total	8.727	43			

a. Dependent Variable: Implementation level of Public Procurement Regulatory

a. Predictors: (constant), Supplier Relationship Management.

Overall regression coefficients

		Un Std Coeff		Std Coeff	t	Sig.	Collinearity Statistics	
		B	Std. Er	Beta			Tolerance	VIF
(Constant)		.691	.505		1.367	.179		
Supplier Relationship Mgt	Relationship	.814	.154	.631	5.278	.000	1.000	1.000

3.2.2 Regression Analysis for Supplier Relationship Management and Implementation level of Public Procurement Regulatory with Monitoring and Evaluation (moderator)

In the presence of moderator, the R- square value increased to 0.687 showing that 68.7% of the dependent variable was explained by supplier Relationship Management. Table 3 shows the model findings. Other parts of Table 3 also suggest that simple linear regression fitted model fitted to the data was good and it was supported with p-values 0.00000 which were less than 0.05 and F-statistics values 92.087 respectively for both models in the presence of moderator. Statistically this meant that there was a significant relationship between supplier relationship management and Implementation of public procurement regulatory framework in devolved governments in Kenya and this relationship was much better in the presence of moderator. The regression coefficient model obtained in the presence of moderator was $Y = -0.312 + 1.105X_2 * Z$ with corresponding p- values of 0.000000 being less than 0.05 significance level against t-statistics values. The models indicated that for every unit of supplier relationship management the value of implementation level of public procurement regulatory framework in devolved governments in Kenya changes by 1.105 in the presence of moderator.

These finding obtained clearly shows that there was significant relationship between supplier relationship management on implementation of public procurement regulatory framework in devolved governments in Kenya. The findings agreed with Kosgei and Gitau (2016) results that SRM have achieved relevance and enhanced supplier's positive relationship for better performance. These were also supported by Al-Abdallah and Aynman (2014) findings that buying firms improved the performance through relationship management with suppliers and that companies cannot only depend on the inner system to achieve higher productivity.

Table 3: Regression Analysis for Supplier Relationship Management and Implementation level of Public Procurement Regulatory with moderator.

Model	R	R Sq.	Adjusted R Sq.	Std. Error of the Estimate	Durbin-Watson
1	.829 ^a	.687	.679	.25511	2.315

a. Predictors: (Constant), Supplier Relationship Management *Z

Analysis of Variance						
Model		Sum of Sq.	Df.	Mean Sq.	F	Sig.
1	Reg	5.993	1	5.993	92.087	.000 ^b
	Residual.	2.733	42	.065		
	Total	8.727	43			

a. Dependent Variable: Implementation level of Public Procurement Regulatory

b. Predictors: (constant), Supplier Relationship Management.

Overall regression coefficients							
	Un	Std. Coeff	Std Coeff	t	Sig.	Collinearity Statistics	
	B	Std. Er	Beta			Tolerance	VIF
(Constant)	-.312	.383		-.815	.420		

Supplier Relationship Management*Z	1.105	.115	.829	9.596	.000	1.000	1.000
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4.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary

The findings obtained indicated that there was significant relationship between supplier relationship management on level of implementation of public procurement regulatory framework in the devolved governments in Kenya. This was realized by a coefficient of R -square value of 0.399 was recorded without the moderator (39.9%) indicating that for every unit of supplier relationship management the value of implementation level of public procurement regulatory framework in devolved governments in Kenya changes by 0.814 in absence of moderator, and a coefficient of R -square value of 0.687(68.7%) with the moderator, showing that the level implementation of public procurement regulatory framework in the devolved governments in Kenya as was explained by supplier relationship management. The findings were found to be positively significant as the p-values 0.00000 which were less than 0.05. The findings indicated that for every unit of supplier relationship management the value of implementation level of public procurement regulatory framework in the devolved governments in Kenya changes with a positive significant increase of 1.105 in the presence of a moderator. From the findings, the study therefore, rejects the null hypotheses and affirms the alternative hypotheses that; H₂: There is a positive significant relationship between supplier relationship management and implementation level of public procurement regulatory framework in the devolved governments in Kenya.

Conclusion

The study concluded that for every unit of supplier relationship management the value of implementation level of public procurement regulatory framework positively improves. The study concluded that there is a clear indication that County governments should pay close attention on communication, trust, commitment, mutual goals and cooperation which was found to be important in effective Supplier relationship management in the organization productivity. It's also concluded that the County government's investment on Supplier relationship management will achieve a better performance through minimization of costs in procurement and improve on quality of product deliveries.

Recommendations

The study recommended that the devolved governments functions should embrace supplier's commitment level on quality of goods and services in their operations such as information sharing between the buyer, improve on their commitment on suppliers' payment, increase commitment level in supplier partnership and development to improve the supplier's commitment level and value addition or creation in service delivery. Supplier involvement have positively improved public procurement regulatory implementation in the devolved governments. However, the study established that procurement officers in devolved governments had challenges rejecting deliveries of goods due to non-conformity to specifications and Supplier failure to honor the orders issued by the

buyer. The study recommended adoption of Buyer / supplier collaboration in new product development and supplier development through trainings.

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