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EFFECT OF SUPPLIER DEVELOPMENT ON PROCUREMENT PERFORMANCE IN PUBLIC SECTOR IN KENYA: A CASE OF KENYA ELECTRICITY GENERATING COMPANY LIMITED (KENGEN)

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Abstract

Purpose: To determine the effect of supplier development on procurement performance in public sector in Kenya, a case of KenGen.

Materials and methods: The study used descriptive research design and a sample size census of all 160 staff from KenGen who were provided with the questionnaires. In collecting the data, open-ended and closed-ended questions were used. The quantitative and qualitative data generated was analyzed by use of descriptive statistics feature in SPSS V.22 to generate information which was presented using tables, charts, frequencies and percentages and inferential statistics to make predictions or inferences about a population from observations and analysis of a sample using correlation analysis, regression analysis, analysis of variance (ANOVA) and coefficient analysis.

Results: Results proved that creating incentives for suppliers was one way to ensure that they remain committed to a quality improvement strategy. Incentives may be in the form of a preferred supplier category with its rewards.

Recommendations: In reference to supplier development, KenGen should make cooperative efforts to improve supplier capabilities with respect to technology, quality, delivery and costs as this also enhances continuous improvement and supplier capability.

Keywords: *Supplier development, procurement, performance, public sector, KENGEN*

1.0 INTRODUCTION

1.1 Background of the Study

Procurement performance is an important role in supply chain management, potentially influences the firm's quality performance, product innovation, customer responsiveness, and the firm's financial performance (Chen, 2011). Internal and external customers judge the value received from procurement and will defect if their expectations are not satisfied. In this regard,

procurement would be expected to emphasize value creation and delivery, not procedures. Cooper and Gardner, (2013) contended that supplier relationship management is a comprehensive approach to managing an enterprise's interactions with the organizations that supply the goods and services it uses.

The goal of supplier relationship management (SRM) is to streamline and make more effective the processes between an enterprise and its suppliers just as customer relationship management (CRM) is intended to streamline and make more effective the processes between an enterprise and its customers (Ahmad, Schroeder & Mallick, 2010). Supplier involvement in product development allows a firm to make better use of their supplier's capabilities and technology to deliver competitive products. Coordinating operational activities through joint planning also results in inventory reduction, smooth production, improved product quality, and lead time reductions. They argue that integration is an effective strategy in working with suppliers throughout the product lifecycle and an effective strategy in reducing supply uncertainty (Burnes & Whittle, 2005).

According to Carr and Pearson, (2009) supplier relationship management entails determining how company buyers interact with suppliers. It is a mirror image of customer relationship management. Just as a company needs to develop relationships with its customers, it needs to foster relationships with its suppliers to ensure quality goods and services, timely and assured deliveries and information flow to assist both organizations in planning (Burnes & Whittle, 2005). At the strategic level, the output of the process is an understanding of the levels of relationships the firm will maintain, and the process for segmenting the suppliers and working with them to develop appropriate relationships (Cooper & Gardner, 2013). Once the process team determines the criteria for categorization of suppliers and the levels of customization, the operational supplier relationship management process develops and manages the relationship.

1.1.1 Global Perspective of Supplier Relationship Management

For more than a decade, there has been a large and growing interest, among academics and practitioners alike, in the value of effective supply chain management (SCM) practices (Wisner, 2013). The literature suggests that a move towards a close relationship between suppliers and customers is mutually beneficial for both parties. This notion has been widely accepted among original equipment manufacturers (OEMs) in the U.S. As a result, the leading OEMs globally have reduced their supplier base in recent years and reportedly developed closer relationships with a selected few in the form of strategic alliances or partnerships (Stevens, 2009).

Focus on Iran's economy on automotive industry, rapid growth of this industry and its developing competitive market in Iran, additionally, importing new products from leading car manufacturers to the Iranian market, lead to the emergent need for revising buyer-supplier relationship strategy in order to promote supply chain capabilities, reduce supply chain costs and increase competitive advantages in comparison with other manufacturers in the market (Quayle, 2010). In the backdrop of global markets, increased competition, and extended supply chains, organizations are now confronting new challenges, despite their major contribution to the world economy. Supply chains are becoming increasingly complex and dynamic; distribution channels

are expanding with an increasing dependence on outsourced manufacturing and logistics (Smith & Reinensen, 2011).

1.1.2 Regional Perspective of Supplier Relationship Management

Ethiopian Electric Power Corporation, which is also the client for the Gibe III Dam. World Bank (2012) provides that it's the third largest hydroelectric plant in Africa with a power output of about 1870 Megawatt (MW), thus more than doubling total installed capacity in Ethiopia from its 2007 level of 814 ensured use of Innovation Driven Procurement (IDP) to accelerate the pace of innovation within organizations by leveraging the innovative power of the supply base. Philippart, (2016) provides that Supplier Risk Management increased dependency on external suppliers, volatility in raw material, energy prices and a shortage of key materials.

Supplier relationship has in East Africa enabled as the economic situation to creates numerous opportunities for procurement organizations to achieve savings while creating long-term, sustainable relationships with suppliers. Procurement organizations can respond to the need for short-term savings while simultaneously focusing on long-term supplier development. (Smil, V.2007).

1.1.3 Local Perspective of SRM on Procurement Performance

According to Awino, (2011), the public sector in Kenya is operating in an increasingly dynamic commercial and technological environment. Effective procurement planning and monitoring of supplier performance are critical to controlling the risks and costs involved in purchasing. The public sector must develop a contract management plan. Most Kenyan Public Procuring Entities don't plan for supplier relationship management on procurement performance due to capacity challenges except in a few procurement units that are fully professionalized.

The culture of supplier performance should be entrenched in the respective East African Community (EAC) procurement laws (Krause, Handfield & Tyler, 2007). According to Awino, (2011), the public sector in Kenya is faced with a growing and diverse range of independent providers of public goods and services. Statistics indicate that the government of Kenya (GOK) procured about Ksh.300 billion worth of goods and services in the 2013 financial year.

Interviews at district and local authority levels indicate that larger town/district procurement ranges from between Ksh.100 million to Ksh.500 million annually. However, with increasing procurement of goods and services in the public sector, there is an inherent problem with supplier relationship management, which is often seen as a negative correlation between building relationships with suppliers and maintaining ethics (Steenkamp, 2005). This is based on a perception that in order for public procurement officials to form relationships with suppliers, a compromise must be made in relation to their ethics (Krause *et al.*, 2007)

1.1.4 Profile of Kenya Electricity Generating Company Limited (KenGen)

Kenya Electricity Generating Company Limited (KenGen) is a Kenya-based electric power generation company. It is the leading electric power generating company in Kenya, producing about 80 percent of electricity consumed in the country ([KenGen Annual Report, 2013](#)). The company was founded on February 1, 1954, as Kenya Power Company (KPC) and was

commissioned to construct the transmission line between Nairobi and Tororo in Uganda. This was to transmit power generated at the Owen Falls Dam to Kenya. KPC was as well tasked to develop electricity generating facilities in the country. KPC was managed by the Kenya Power and Lighting Company under a management contract (KenGen Annual Report, 2013).

In January 1997, the management of KPC was formally separated from Kenya Power as a direct result of reforms being undertaken in the energy sector and the entire economy. Subsequently, on January 19, 1998, the company changed its name from Kenya Power Company to Kenya Electricity Generating Company. The trading name KenGen was also adopted at this point. In 2006, KenGen was listed on the Nairobi Securities Exchange after the Government of Kenya sold 30% of its stake in the Company through a successful Initial Public Offer that received over 280,000 applications (KenGen, 2015).

The Company is engaged in the business of developing, managing and operating power generation plants to supply electric power to the Kenyan market. It operates in four generation modes: Hydro, Geothermal, Thermal, and Wind. KenGen develops 700 megawatts of geothermal power, two wind farms in Ngong and Meru with a total capacity of 120.4 megawatts, liquefied natural gas (LNG) fired plants and coal-fired plants. It owns 14 hydropower plants with a combined capacity of 820 megawatts, five thermal power plants with a capacity of 256 megawatts, four geothermal power plants generating 158 megawatts and one wind farm generating 5.1 megawatts. Its The Horizon I project includes Sondu-Miriu hydro project; Olkaria II 3rd Unit; Ngong Wind-Phase I; Kipevu III; Redevelopment of Tana; Sangoro, and Eburru (KenGen 2013 Annual Report, 2013).

According to KenGen, (2015) KenGen has a workforce of 2,427 staff located at different power plants in the country. With its wealth of experience, established a corporate base and a clear vision, the company intends to maintain leadership in the liberalized electric energy sub-sector in Kenya and the eastern Africa region. KenGen is expected to become the world's largest geothermal power generator by 2023 with its planned massive investments in new plants, Renaissance Capital has projected.

1.2 Statement of the Problem

Since late 2000, research in buyer-supplier relationships has received increasing attention, especially as it has become widely known that various benefits can be enjoyed by developing closer relationships with suppliers Watts and Hahn, (2013). Buyer-supplier relationships have evolved towards a new form in order to respond to intensified competition in procurement performance. The movement towards closer cooperation between buyers and suppliers also results from the global and competitive market place that focuses on cost, quality, delivery, flexibility, and technology, which subsequently create a greater need to emphasize inter-firm collaboration with various business partners to enhance procurement performance (Tammela, 2008).

All over the world there is increased reliance on suppliers for organization's own ability to meet customer requirements and expectations, and even, in some cases, to comply with legal and regulatory requirements, organizations are under increasing pressure to avoid supplier problems and to attract and retain the high performers, (Martin & Grbac, 2013). Contractual relationships

have been hypothesized to have a significant effect on the performance of organizations but many firms that have engaged in contractual relationships with their suppliers, have been found to still suffer from losses either owing to litigation costs or from the failure of suppliers to meet conditions stipulated.

In Kenya, over seventy percent (70%) of public sector organizations experience supply chain management challenges and this negatively affects effective delivery of services. Although having good suppliers is important, surveys show that Kenyan organizations continue to struggle with buyer-supplier management which is leading to poor procurement performance (Awino, 2011). According to Awino, (2011) lack of establishment of effective supplier relationship management in public sector in Kenya contributes to 61 percent of losses made in procurement bids. Public procurement Audit 2012/2013 Report revealed losses of Kshs. 18,291,430.30 through irregular procurements in the financial year (FY) 2012/2013. Earlier, in FY 2011/2012, there was a loss of Kshs. 8,495,968.00 due to inefficiencies in procurement processes (Martin, 2013). This raises questions on the level of performance of procurement.

Previous research has explored the effect of supplier relationships management (SRM) on the performance of firms (Echtelt, Wynstra, Weele & Duysters, 2008) where most of these studies have concentrated on developed countries. In spite of having many SRM studies undertaken by various researchers, none of the studies have drawn much emphasis on how public sector organizations should improve on supplier development. Hence this has created a knowledge gap amongst procurement and logistics practitioners in public sector organizations.

1.3 Objective of the Study

To determine the effect of supplier development on procurement performance in public sector in Kenya, a case of KenGen.

2.0 LITERATURE REVIEW

2.1 Introduction

2.2 Theoretical Literature

The theoretical framework of a research relates to the philosophical basis on which the research takes place, and forms the link between the theoretical aspects and practical components of the investigation undertaken. As cited by Kumar *et al.*, (2005) good research should be grounded in theory (Vonderembse & Tracey, 2009). This study is guided by Resource dependence theory (RDT), Partner Selection Theory, Resource Based View (RBV) Theory and Institutional theory.

2.2.1. Resource Dependence Theory (RDT)

Resource dependence theory takes the view that a business relationship is a social exchange of critical resources with mutual dependency among the exchange partners. Thus, the survival and growth of organizations largely depend on the ability to secure critical resources from the external environment (Teijlingen & Hundley, 2011). But a relationship between organizations is not free. Resource dependence theory focuses on *ex-ante* mutual dependence between exchange partners due to critical resources. This theory recognizes the existence of inter-dependency

between exchange partners and the importance of securing valued resources from environmental and behavioral uncertainty (Davis & Cobb, 2010).

Resource dependency and competence theory stress that, one of the main reasons for a firm to form relationships with other firms is to gain access to the resources that the firm does not possess contends (Doney & Cannon, 2007). The survival and growth of organizations largely depend on the ability to secure critical resources from the external environment according to (Enarsson, 2008). Carr and Pearson, (2009) stated that the collaboration across public procurement functions provides opportunities for better utilization of procurement skills and resources; (thereby providing value for money); maximizing benefits, and the spread of best practice.

Handfield *et al.*, (2009) concurs with cooperation approach positioning that firms are no longer able to develop major product or service innovations alone because of the dispersion of knowledge and technological resources driven by organizational specialization. In addition, Handfield *et al.*, (2009) further note that the growing need for greater effectiveness in their operation has forced more companies to engage in partnerships leading to increased dependence on each other's resources and capabilities.

According to Wilson, (2010), the increasing complexity of markets makes it difficult for firms to possess all the resources to compete effectively, and exchange leads to relational interdependency. Sako, (2012) argues that the performance and the internal efficiency of a business are viewed as dependent on its ability to develop resources through relationships rather than its ability to exploit resources in isolation from other companies, and resource development is seen as taking place between companies rather than just within companies. However, Romero, (2011) warns that organizations should collaborate to achieve these benefits where it makes logical and commercial sense to do so.

Resource dependence theory argues that a firm creates potential market value through a unique positioning and can claim those values through a competitive advantage based on firm-specific resources (Scannell, 2010). In an effort to achieve competitive advantage in the market, firms align themselves with exchange partners (i.e., customers and suppliers) and create joint values, such as cost reduction and/or value addition, through investments in buyer-supplier relationship. This theory links the effect of supplier development to procurement performance.

2.3 Conceptual Framework

A conceptual framework is a concise description of the phenomenon under study accompanied by a graphical or visual depiction of the major variables of the study (Mugenda, 2009). It is used to outline possible courses of action or to present a preferred approach to an idea or thought. In this study conceptual framework is the relationship between independent variables and dependent variable.

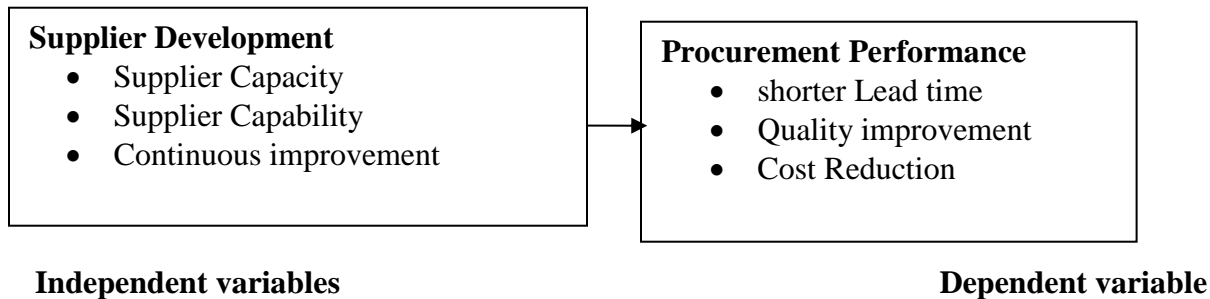


Figure 1: Conceptual Framework

2.3.1 Procurement performance

Procurement performance refers to efficiency and effectiveness in acquiring of goods and services in the procurement function in order to change from being reactive to being proactive to attain set performance levels in an entity (MacDuffie & Helper, 2007). Procurement performance has several benefits to an organization like cost saving, reduced lead time, policy adherence and compliance to procurement regulations. Procurement activities have a relationship with the organization's economic performance which is evident by cost reduction (Lee, & Ansari, 2005). This can be divided into effects on turnover, gross profit, efficiency, total costs and organization's equity. All of these categories correlate directly with how the supplier ratings are controlled and utilized for the benefit of the organization (Chen, 2011).

How procurement is handled in an organization becomes highlighted when it has an effect on the competitive advantage. This concerns situation where the prices of materials fluctuate in short term, innovation is involved with the purchased products or the competition of the end-products is intense (Larson, & Kulchitsky, 2010). According to Handfield *et al.*, (2008) choosing the supplier, product or subcontractor has an essential role in the potential growth of turnover. How the organization's brand is perceived in the market, affects the sales volume.

Sometimes the buyer can feel that they are receiving a better product because of a good brand image (Lascelles & Dale, 2010). This means that the supplier can actually have a positive impact on the decision made by the buyer. It's important not to forget the power of word of mouth marketing. It's a factor that can determine whether your product gets chosen over the competitor's one (McKone, Schroeder & Cua, 2011). The growth of gross profit can be explained by cost reduction and increased turnover (Ferring & Plank, 2007).

2.3.2 Supplier Development

Supplier development can be defined as any effort a buying firm expands on a supplier to increase the performance and capabilities of the supplier to meet the buying firm's own short-term or long-term supply needs (Krause & Ellram, 2007). Purchasing literature demonstrates that improvement in buyer and supplier performance occurs as a result of implementing effective supplier development programs (Krause, 2007). With increased outsourcing, buyers must ensure that their supplier capabilities match their expectations in order to compete in the competitive market (Handfield *et al.*, 2010).

Most firms have realized the importance of the performance of their suppliers to the establishment and sustaining of their competitive advantage (Bensau, 2009). The supplier needs to have enough capacity to handle a firm's requirements. It is all about how quickly a supplier is able to respond to customer demands, and to other market and supply fluctuations (Awino, 2011). The supplier should have the resources to meet customer needs, particularly when commitments to other clients are considered (These resources include staff, equipment, storage, and available materials.). According to Williams, (2006), the performance of a product often influences the profitability or reputation of the end-user.

3.0 METHODOLOGY

In order to clearly analyse the effect of supplier development on procurement performance, descriptive research design will be used. The target population was obtained from employees in KenGen who are directly or indirectly related to procurement performance in head office in Nairobi, Kenya. The study will use a census of 160 employees working in different departments in KenGen Head office. The primary data of the study was obtained by way of a questionnaire (Appendix II). The questionnaire covered the demographic information, and the information pertaining to the variable of the study. Quantitative analysis method was applied to analyze quantitative data where data was scored by calculating the percentage and mean.

The Statistical Package for Social Sciences (SPSS) computer software version 22 was used specifically for the purpose of analyzing the quantitative data and presenting it in form of tables and pie charts. SPSS software enabled the research work to be more scientific and reliable as a number of different statistical tools can be applied on the dissertation. Content data analysis method was employed to analyze qualitative data gathered using open-ended questionnaires.

4.0 RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter entails the analysis and discussion of the data that was collected during the survey. The research findings are based on the questions that were asked to the participants through a questionnaire distributed to the selected sample. The main aim of the study was to analyze the effect of supplier development on procurement performance in the public sector Kenya. A case of Kenya Electricity Generating Company Limited.

4.2 Response Rate

The results indicated in Table 1 show that a sample size of 160 respondents was targeted for this study, with 138 respondents returning fully filled questionnaires. This response rate was considered adequate as recommended by Mugenda and Mugenda (2003), who indicated that a response rate of 50% is adequate for analysis and reporting, a rate of 60% is good and a response rate of 70% and above is excellent. Therefore, the response rate of 86.25 % was excellent for the study.

Table 1 Response Rate

Category	Frequency	Percentage
Questionnaires Distributed	160	100
Questionnaires Completed	138	86.25
Uncompleted Questionnaires	22	13.75

4.3 Demographic Findings

4.3.1 Gender of the Respondents

The respondents were requested to indicate their gender. From the findings in Figure 2, majority 59% were male while 41% were female. This implied that there were more male than female respondents involved in the study. The findings demonstrated that male respondents were the dominant employees in Kenya Electricity Generating Company Limited

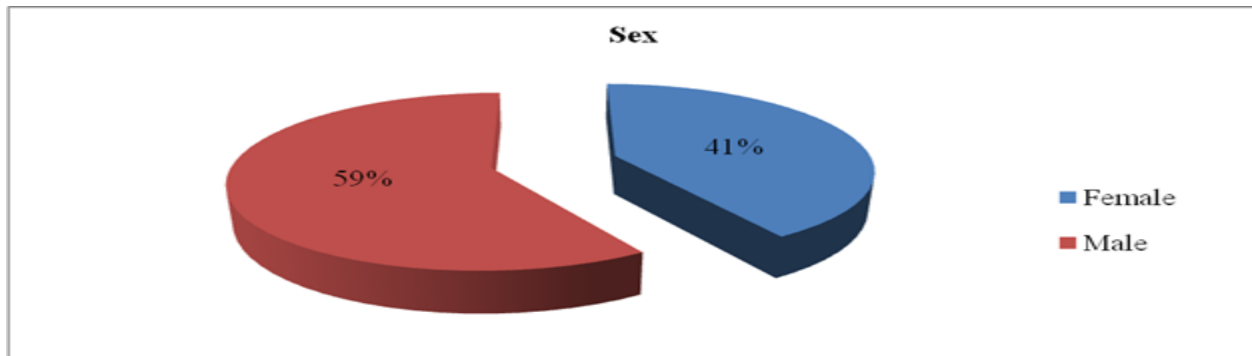


Figure 2 Gender of the Respondents

4.4.2 Age of the Respondents

From the findings in Table 4.3, the respondents were requested to indicate on their age bracket. The Majority 39.1% of the respondents were aged between 31-40 years, 26.1% of the respondents were aged between 21-30 years and 23.2% of the respondents were aged 41- 50 years of age while 11.6% of the respondents were aged over 50 years. The findings demonstrated that the employees of Kenya Electricity Generating Company Limited were of age.

Table 2 Age of the Respondents

Years	Frequency	Percent
21-30	36	26.1
31-40	54	39.1
41-50	32	23.2
Over -50	16	11.6
Total	138	100.0

4.4.3 Respondents Period of Working

From the findings in Table 3 the respondents had worked at KenGen as indicated in the Table below, 7.9% had worked for a period of 1-5 years, 19.6% had worked for the duration of 6 - 10 years, 32.6% had worked for 11 – 15 years and lastly 39.9% had worked for over 16 years. This is a clear indication that most of the respondents had worked long enough in Ken Gen and were well versed with supplier relationship management and hence delivering procurement effectiveness within an operating model that connects commercial and technical capability to drive optimal operational excellence.

Table 3 Respondents Period of Working

Years	Frequency	Percent	Cumulative Percent
1-5 years	11	7.9	8.0
6-10 years	27	19.6	27.6
11-15 years	45	32.6	60.2
over 16 years	55	39.9	100.0
Total	138	100.0	

4.4.4 Education Level of the Respondents

From Table 4, 43.48% of the respondents had Diplomas, 13.05% had Higher National Diplomas, 31.88% had Bachelors’ Degree and 11.59% had Masters’ degrees. This implies that the majority of the respondents were educated enough to decipher the implications of supplier relationship management.

Table 4 Education Level of the respondents

Education level	Frequency	Percent
Diploma	60	43.48
Higher National Diploma	18	13.05
Bachelor’s degree	44	31.88
Master’s Degree	16	11.59
Total	138	100.0

4.4.5 Job Category

The study sought on the respondent’s current positions working in KenGen. From the findings as indicated in Table 5, the majority of the respondents were at low level 56.52% giving a higher probability of working routinely with their major suppliers, 24.64% of the respondents were middle level managers while 18.84% of the respondents were senior managers. This implies that the respondents were working at the KenGen at the time of data collection and therefore they offered the required information.

Table 5 Job Category

Position	Frequency	Percentages
Senior Management	26	18.84

Middle-Level Management	34	24.64
Low-Level Management	78	56.52
Total	138	100

4.5 Descriptive Analysis

4.5.1 Supplier Development

(i) Supplier Capacity

The study sought the respondents' level of agreement with the given statements concerning the effect of supplier development on the procurement performance at KenGen and results are presented in Table 6. From the findings, the majority of the respondents strongly agreed that Supplier Capacity affects procurement performance in the organization and Supplier Capability affects procurement performance in the organization as indicated by mean of 4.00, 3.93 and standard deviation of 0.97, 0.98 respectively. Kinyua (2011) supports the findings of this study by stating that the potential evaluation of suppliers begins after determining that a purchase need exists. The source evaluation requires the development of a list of potential suppliers because buyers use different supplier performance capacity criteria when evaluating potential suppliers.

Table 6 Supplier Capacity

Statements Supplier Capacity	Minimum	Maximum	Mean	Standard Deviation
Supplier Capacity affect procurement performance in the organization	1.00	4.00	4.00	0.97
Supplier Capability affect procurement performance in the organization	1.00	5.00	3.93	0.98
Continuous improvement affect procurement performance in the organization	2.00	5.00	4.00	1.08

(ii) Continuous improvement

Table 7 shows the respondents level of response to which they agreed with the given statements that relate to the Supplier Development ISO Framework for quality assurance. Appropriate methods of communication and actual levels of compliance should be attained by means of gap-assessments and audits and strongly accepted that they affected the buyer-supplier relationship on a mutual performance target with a mean of 4.07, 3.67 and standard deviation of 0.87, 0.96 respectively, the following studies supports the findings of this study David,(2015). quality Assurance (SQA) technique is to select strong suppliers that are committed to compatible long-term support, improvement, and relationship goals with the customer (Katsikea, E. 2011). When a company selects a new supplier, the supplier should be evaluated across a range of topics including their technical capabilities, and technical support.

Table 7 Continuous improvement

Statements	Continuous improvement	Minimum	Maximum	Mean	Standard Deviation
Supplier Development ISO Framework		1.00	5.00	4.07	0.87
Appropriate methods of communication		1.00	4.00	3.92	0.94
actual levels of compliance should be attained by means of gap-assessments and audits		1.00	4.00	3.67	0.96

4.5.5 Procurement Performance

i) Shorter Lead Time

The table 8 shows the level to which the respondents agreed with the given statements that relate to the influence of Shorter Lead Time on the procurement performance of KenGen. From the findings, the majority of the respondents strongly agreed that automating the transmission of information in order processing led to order visibility hence short processing time and cycle time, with a mean 3.88 and standard deviation of 1.12. Then with a mean of 4.07 and standard deviation of 1.18 the respondents agreed that forecasts be provided to suppliers.

Hernandez, (2013), supports the findings of this study that the objective is to ensure that multiple enterprises function as efficiently and effectively as a single enterprise with full information, visibility, and accountability which makes service to the final consumer the output of the process. At the heart of this integration is an information system which shares long term demand schedules, and release dates with all members of the channel. Such systems obviously require long-term partnership

Table 8 Shorter Lead Time

Statements	Minimum	Maximum	Mean	Standard Deviation
Automating the transmission of information in order processing	2.00	5.00	3.88	1.12
Provide forecasts to your supplier	1.00	5.00	4.07	1.18
Suppliers using Just in Time (JIT)	1.00	4.00	3.43	0.92

ii) Quality Improvement

The study shows the extent to which respondents agreed on the effect of Quality Improvement on procurement performance. The findings in Table 9 below indicates that 44.93% of the respondents strongly agreed that quality process and assurance was a tool for collaboration, then 32.61 % respondents were neutral on the aspect of the quality purchasing material. Then 36.23% respondents agreed on the Product quality assurance and certification.

Kraljic, P. (2013), supports the findings of this study that to reduce waste, non-value activities, reduce the amount of handling, increase customer service or responsiveness, reduce excess

inventory for finished and raw materials, improve supply chain common, increase speed, increase the accuracy of information flow, increase information sharing, improve coordination of effort and continuous channel improvement. This perspective is consistent with David K, (2015), Total Quality Management (TQM) is also practiced to ensure that things are done right the first time and every time and proactive measures are taken to avert defects.

Table 9 Quality Improvement

Statements	1	2	3	4	5
Quality process and assurance	0.00%	6.52%	14.49%	34.06%	44.93%
Quality of purchasing materials	1.45%	5.80%	32.61%	45.65%	14.49%
Product quality assurance and certification	5.07%	5.07%	23.91%	36.23%	29.71%

iii) Cost Reduction

The Table 10 shows the respondents level of response to which they agreed with the given statements that relate to the Cost Reduction approach on procurement performance at KenGen. From the findings, the majority of the respondents strongly agreed with reviewing the specifications of purchased products, with a mean of 3.44 and standard deviation 0.86, then with a mean of 4.19 and 1.01 standard deviation respondents agreed that consolidating purchasing requests and intervals contributed immensely to cost reduction.

Dale, B. (2010). Supports the findings of this study that the goal of the supply chain is to maximize profit through the enhanced competitive market which is achieved by a lower cost to serve and achieve in the shortest time frame. Such goals are only attainable if the supply as a whole is closely coordinated in order that total channel inventory is curtailed.

This perspective is consistent with Grbac, (2013), that Inventory and materials handling cost can make a significant contribution to an organization's profitability and is one more example of an area where proactive purchasing and supply chain management can reduce cost and add value to the organization.

Table 10 Cost Reduction

Statements	Minimum	Maximum	Mean	Standard Deviation
Reviewing supplier's terms and discounts.	2.00	4.00	3.72	1.12
Consolidating purchasing requests and intervals	1.00	5.00	4.19	1.01
Reviewing the specification of purchased products.	1.00	4.00	3.44	0.86

5.0 SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

The main purpose of the study was to determine the effects of supplier development on procurement performance of KenGen.

5.2 Summary of the Findings

5.2.1 Supplier Development

The study evaluated the influence of supplier development on supplier relationship management and its effect on procurement performance. The findings proved that with a coefficient value of 43.2% affecting procurement performance, the majority of respondents agreed that combination of education and training of suppliers improved their shop floors as well as addressed major suppliers declining revenues and profits. The major task was to help suppliers secure profits in the short term, short term recovery of loss-making suppliers and longer term capability enhancement. Results proved that creating incentives for suppliers was one way to ensure that they remain committed to a quality improvement strategy. Incentives may be in the form of a preferred supplier category with its rewards.

5.3 Conclusions

Following the results of the study, there is an affirmation that there is a positive relationship between supplier development and procurement performance.

5.4 Recommendations

In reference to supplier development, KenGen should make cooperative efforts to improve supplier capabilities with respect to technology, quality, delivery and costs as this also enhances continuous improvement and supplier capability.

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