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Influence of Technical Capacity of Special Interest Group Suppliers on Perfomance of Public Procuring Entities: A Survey of The County Governmet of Nakuru, Kenya.

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Abstract: *In Kenya special groups constitute over 85% of the entire population yet they contribute to less than 10% of public procurement involvement thus hampering economic growth. Many of the problems cited by the special groups have included capacity building, lack of access to credit, inadequate skills, poor information and inhibitive legal regulatory framework. The 30% government procurement preference under the Access to Government Procurement Opportunities was set aside to assist the special interest groups who were in business but did not have the capacity to compete for government tenders with other established suppliers. The procuring entities are expected to ensure efficiency and cost effectiveness in procuring goods and services yet the suppliers under the special groups may not have the technical, financial and production capacity to deliver. The exemptions made under the regulations governing the award of tenders under the Access to Government Procurement Opportunities make it difficult for the procuring entity to verify the technical, financial and production capacity of suppliers which are essential requirements in supplier evaluation and selection. No studies have been done yet to determine whether this selection criterion affects the efficiency of the procuring entities or not. This study sought to assess the selection criteria of special interest groups on performance of procurement at the County Government of Nakuru. The study adopted the descriptive research design. The target population comprised of 114 staff in procurement departments operating in the head office, 11 sub county offices and the user departments from which a sample of 54 was selected using stratified random sampling technique. Data was then collected using the questionnaire. Quantitative data was then analyzed using descriptive statistics which included frequencies and percentage. Pearson correlation was used to assess the relationship between variables .The study established that the technical, financial and production capacity assessment were given a moderate attention thus they did not translate to a significant impact on procurement performance. The selection on quality conformance was highly emphasized and this translated to improved efficiency in procurement. The study therefore recommended that the county government of Nakuru should apply other selection criteria with the seriousness observed in quality conformance for special interest group suppliers otherwise it would have a negative impact on procurement performance.*

Keywords: *Special interest groups, Procurement, Performance, Public entity*

I. Introduction

Globally there is no agreed definition of marginalization; however, the Education for All Global Monitoring Report (2010) conceptualizes marginalization as a form of acute and persistent disadvantage rooted in underlying social inequalities (UNESCO, 2010). Often many different forms of marginalization interact described as intersectionality, which refers to multiple systems of discrimination operating simultaneously. The World Conference on Youth (2014) considers the following groups marginalized: young people with disabilities, indigenous youth, youth from rural communities/young farmers, key affected populations/those affected by intersectionality, young people from conflict affected areas, marginalized ethnic and cultural groups, young people from low social and economic backgrounds, migrants and refugees.

In Kenya, Article (100) of the constitution of Kenya refer to marginalized groups which is further elaborated in the two- third gender rule laws (amendment) bill, 2015 to include women, persons with disabilities, youth, ethnic and other minorities and marginalized communities. This implies that marginalized communities and special interest groups in Kenya are one and the same. Youth in Kenya defined as those between 15 - 30 years old number around 11.99 million, and account for about 31% of the population (KNBS, 2010). Disability prevalence rates in Kenya vary according to the different data collection methods used but the National Survey on Persons with Disabilities (GoK 2008) found that 4.6% of the Kenyan population experience some form of disability, of which 3.6% of youth between ages 15-24 years have disabilities, with visual and physical impairments being the most frequently. Participation of Special Interest Groups in Public procurement is an important function of any government for several reasons Blome, & Schoenherr, (2011).

Lack of employable and entrepreneurial skills, are some of the most crucial problems facing communities of people with disability and society at large to be included in public procurement. As a result people with disability are generally excluded from public procurement thereby hampering their overall economic independence (R.o.K, 2013). Access to Government Procurement Opportunities (AGPO) is a program geared towards enabling the youth, persons with disabilities and women access to 30% of all government procurement opportunities in Kenya. It is an affirmative action program aimed at empowering women, youth and persons with disabilities by giving them more opportunities to do business with Government (R.o.K, 2013). The opportunities are only accessible to a legally registered business in the form of a sole-proprietorship, partnership or registered company. For both the partnership and the registered company, the ownership in form of capital invested or shares owned should be at-least 70% for the women, youth or persons with disability and the business should be 100% led by women, youth or persons with disability.

1.1 Statement of the Problem

In Kenya special groups constitute over 85% of the entire population yet they contribute to less than 10% of public procurement involvement thus hampering economic growth and achievement of vision 2030 (Transparency international, 2013). Many of the problems cited by the special groups have included capacity building, lack of access to credit, inadequate skills, poor information and inhibitive legal regulatory framework (Brinkerhoff, 2004). The implementation outcome of the 30% government procurement preference for youth, women and persons with disabilities (AGPO) has made a significant contribution to GDP of not less than 15% per annum (R.O.K 2013). The 30% government procurement preference was set aside to assist the special interest groups who were in business but did not have the capacity to compete for government tenders with other established suppliers. The procuring entities are expected to ensure Performnce and cost effectiveness in procuring goods and services yet the suppliers under the special groups may not have the technical, financial and production capacity to deliver. The exemptions made under the regulations governing the award of tenders under the AGPO make it difficult for the procuring entity to verify the technical, financial and production capacity of suppliers which are essential requirements in supplier evaluation and selection. No studies have been done to determine whether this affects the Performnce of the procuring entities or not. This study sought to assess the effects of supplier capacity selection criteria of special interest groups on Performnce of procurement at the County Government of Nakuru**.**

1.2 Objectives of the study

(i). To assess the effects of technical capacity of special interest groups on performance of procurement at the County Government of Nakuru

(ii). To examine the influence of financial capacity of special interest groups on performance of procurement at the County Government of Nakuru

(iii). To evaluate the role of production capacity of special interest groups on performance of procurement at the County Government of Nakuru

(iv). To determine the significance of product quality conformance of special interest groups on performance of procurement at the County Government of Nakuru

II. Literature Review

In a study Talal (2014) to assess the systemic constraints to market access focusing on youth and the procurement process revealed that the technical capacity of the youth was a significant challenge since the 8-4-4 system of education which was designed geared towards imparting appropriate skills to enhance self-employment was ineffective. The country's training institutions were not only inadequate but also lack the essential facilities and technology to prepare students for the challenging business market.

According to Orodho, (2013) the Kenyan government has had an uphill task for youth and women groups to play in the big-ticket leagues of public procurement as they may not have the financial wherewithal. Polo (2008) opines that the best thing about getting a government contract is that you will get paid. The downside is it could take a while. Further, there are a host of financial instruments being offered by various institutions, including local purchase order (LPO) financing and invoice discounting.

There is also the Uwezo Fund and the youth and women enterprise fund, yet processing an invoice can take months. Mamic (2005) argues that the high proportion of women in the poverty group in the third world makes efforts at development fruitless. This is because the investment threshold for the third world has pushed far above the current levels of funding to a point where local level development is the only feasible alternative solution Gomez (2009) development efforts that centre on sustainability must target the grassroots majority.

A study conducted by Talal (2014) to assess the systemic constraints to market access focusing on youth and the procurement process revealed that the main reason for making youth to not engage in business with the government or other private sector entities was the lack of access to financial institutions which can

offer capital for startups. Access to capital in Kenya's financial environment was extremely fragmented with glaring disconnects between resources and need thus impeding economic growth and community stability.

The production facilities and ability of the supplier to increase its capacity should also be taken into account to Judge the best one. The potential production capability of each supplier should be analyzed to meet a specified Production plan and also to develop a new product according to the market demand (Harps, 2000). Beil (2009) opine that supplier's capacity to increase delivery quantities within short lead times is important as the buyer may be uncertain about their exact quantity needs over the life of the contract.

The concept of quality has been defined different by different scholars. Leenders and Fearon (1997) say that quality is a competitive tool that can give high contribution to the organization. Dober and Burt (1996) ties quality closely with supplies by defining it as one of the purchasing supplier performance management major responsibilities. As a result product quality failures lead directly to costly difficulties that reduce productivity, profit and often market share. Weele (2010) analyzes quality as the degree in which customer requirements are met.

III. Research Methodology

3.1Study Design

The study adopted the descriptive research design where selected staff of the county government of Nakuru provided information on behalf of their institution on the status of AGPO selection criteria in relation to procurement Performance.

3.2 Target Population

The study was carried out in the County Government of Nakuru. Nakuru County. The target population comprised the 114 staff in procurement department in the County Government of Nakuru

3.3 Study Sample

The study sample comprised of 2 procurement managers, 18 procurement officers and 34 procurement clerks. The sample was selected using the stratified random sampling technique.

3.4 Data Collection Instruments

The study used questionnaire as the main tool for collection of primary data. On set of questionnaire was designed and administered to all staff in the procurement department. The questionnaire was based on five themes: technical capacity; financial capacity; production capacity; quality conformance and effective procurement function.

3.5 Data Analysis

Quantitative data was analyzed using descriptive statistics which include frequencies and percentages. The relationship between individual selection criteria and procurement performance was determined using the person correlation analysis in hypothesis testing. Regression analysis was then done to determine how the selection criteria of special interest groups collectively affected performance of procuring entities.

IV. Findings, Analysis And Discussion

4.1 Evaluation of Supplier Technical Capacity

In the first objective, the study was meant to investigate the practices in Supplier Technical Capacity evaluation for special interest groups in the county government of Nakuru. Table 1 shows the rating on the procurement practices in the evaluation of the supplier technical capacity. According to the procurement staff the supplier technical parameters under investigation were given moderate attention in evaluating suppliers in special interest category. It was also established that suppliers' technical skills was given the highest consideration rated at (Mean = 3.60, SD = 0.89) since it allowed them deliver their contracts. The second consideration was on appropriateness of technology used by special interest groups rated at (Mean = 3.50, SD = 1.16). In addition, the reliability of technologies used were emphasized (Mean = 3.23, SD = 1.09) along with the level of innovation (Mean = 3.23, SD = 1.25). Overall, the buyer efforts to assess the technical capacity was rated at (Mean = 3.04, SD = 1.33). The above findings collaborate with Harps, (2000) that suppliers' need competent technical ability to provide high quality product or service, ensure future improvements in performance and promote successful development efforts. However, based on Harps the technical capacity ought to be given very high emphasis which was not the case in the AGPO at the County Government of Nakuru. Talal (2014) sheds more light between youth and technical capacity by assess the systemic constraints to market access focusing on youth and the procurement process where he revealed that the technical capacity of the youth was a significant challenge. This was attributed to the country's training institutions which were not only inadequate but also lacked the essential facilities and technology to prepare students for the challenging business market.

4.2 Financial Capacity and Performance of Procurement

In the second objective, the study sought to assess the practices in evaluation of supplier financial capacity in the selection of suppliers in special interest category for AGPO and determine whether this affected the Performance of the procuring entity. Table 2 shows the responses of procurement staff at the County Government of Nakuru on the practices. The procurement staff fairly rated their organizations in the efforts to assess the financial capacity of supplier in special interest groups. It was established that the profile of customers was given the highest consideration in determining the ability of suppliers (Mean = 3.58, SD = 1.29) although opinions were diverse according to the standard deviation. The ownership structure of the company was also rated as highly regarded in awarding tenders to special interest category though to a moderate level where (Mean = 3.42, SD = 1.14). The opinions were also diverse on the extent to which ownership was considered. The working capital was also another factor considered in the award of tenders to special interest groups which was rated fairly at (Mean = 3.39, SD = 1.11), however the opinions varied. In awarding tenders suppliers in the special interest were also selected based on their capital investment as this was rated above average (Mean = 3.25, SD = 1.23). Other financial factors considered in the special interest group category include liquidity of the company rated at (Mean =3.19, SD = 1.16) and bid securities before awarding of tender (Mean = 3.15, SD = 1.42). However, the question of bid security was highly contested as seen from the diverse opinions by the procurement officers. There was lesser weight attached to the turnover of the supplier (Mean = 2.94, SD = 1.21) and the likely ownership structure based on the possibility of merger of takeover (Mean = 2.94, SD = 1.21).

From the above discussion, it is evident that the financial capacity of special interest suppliers was considered in awarding tenders within this category though to a moderate level. This is implies that contrary to the AGPO requirements that technical and financial requirements were not considered in prequalification, they were actually considered in award of tenders.

4.3 Evaluation of Supplier Production Capacity

The study also was interested in assessing the extent to which production capacity of special interest groups was taken into consideration in procurement contracts and how this influenced procurement Performnce at the county government of Nakuru. The ratings on considerations of production capacity are presented on Table 3.

The findings revealed a fairly moderate rating on the extent to which production capacity of suppliers in special interest groups was considered. Environmental friendliness in production was given the highest weight as shown on the ratings where (Mean = 3.42, SD = 1.19) was scored. The change over period in which a producer will take to adjust a production system from one type of product to another was rated second at (Mean = 3.19, SD = 1.36), closely followed by the output production capacity rated at (Mean = 3.17, SD = 1.10) and the production methods and systems at (Mean = 3.15, SD = 1.19). Suppliers' appraisal on the surge capacities and the use state of technology were given less emphasis in evaluating the capability of suppliers in special interest category. It is also important to observe the diverse opinion in the rating as indicated on the Standard Deviations (SD) since all were scored above 1.

Previous studies by (Harps, 2000) indicated that production facilities and ability of the supplier to increase its capacity should also be taken into account to Judge the best one. Further, the potential production capability of each supplier should be analyzed to meet a specified production plan and also to develop a new product according to the market demand. Beil (2009) opine that supplier's capacity to increase delivery quantities within short lead times is important as the buyer may be uncertain about their exact quantity needs over the life of the contract.

4.4 Evaluation of Supplier Quality Conformance and Procurement Performance

Evaluation criteria of Supplier Quality Conformance among the special interest group of suppliers was also analyzed to determine how it affected the Performance in procurements done from suppliers in this category. The ratings on quality considerations are shown in Table 4.

The findings from the procurement team on quality conformance revealed that inspections of goods and services was highly ensured in special interest suppliers in a bid to ensuring that goods supplied conform to the set standards. This was highly rated at (Mean = 4.08, SD = 1.01). The ability of supplies to maintain consistency in was also considered in selecting suppliers ranked second at (Mean = 3.90, SD = 0.93). The responses on inspection of goods and evaluation of consistency were unanimously agreed on as seen from the small valued of SD. Standardization of goods was also taken into consideration when selecting special interest suppliers (Mean = 3.67, SD = 1.18). The county government to some extent also ensured that they engaged the special interest suppliers through implementation of joint quality improvement with special interest suppliers. This was fairly rated at (Mean = 3.65, SD = 1.05). Special interest suppliers were required to have quality management systems in place (Mean = 3.60, SD = 1.24) though this was not the case in all procurement contracts. Similarly, quality

certifications are considered key for special interest suppliers to be listed as a supplier in the county government (Mean = 3.60, SD = 1.19) although the requirement was not applied always. These findings however contradict with CIPS (2007) which states that the first requirement in a supplier is that, where applicable, the supplier should have a quality system certificated as meeting the requirements. Beil (2009) state that the quality certification indicate that a supplier has policies, procedures, documentation, and training in place to ensure continuous adherence to quality standards.

4.5 Performance of County Government Procurement

The performance attributes of the supplies from the special interest supplier category in the County Government of Nakuru were rated by procurement staff and analyzed as shown on Table 5. As seen on the findings in Table 5, suppliers in the special interest groups were highly rated in delivering their supply contracts with the County Government of Nakuru. They were highly rated on the quality of goods supplied at (Mean = 4.15, SD = 0.75) out of a possible maximum rating of 5. Similarly they rated high on delivering goods and services at competitive prices (Mean = 4.08, SD = 0.84) and in ensuring value for money in supply contracts (Mean = 4.00, SD = 0.89). Suppliers were also highly rated in maintaining high levels of transparency and accountability in executing their supply contracts (Mean = 3.92, SD = 1.10) as well as in being able to supply goods on agreed time (Mean = 3.88, SD = 0.70).

4.6 Regression Analysis

Finally the study aimed at identifying how the factors under investigation combined can be used to predict the Performance in procurement at the county government of Nakuru. Regression analysis was done using the model:

$y_i = \beta_1 x_{i1} + \beta_2 x_{i2} + \beta_3 x_{i3} + \beta_4 x_{i4} + \varepsilon_0$ where y_i is the dependent variable (effective procurement), x_{ij} is the ith observation on the jth independent variable, and where the first independent variable takes the value 1 for all i(so β_1 is the regression intercept), and ε_0 is the error.

y_i = Effective procurement

x_{i1} = technical capacity

x_{i2} = financial capacity

x_{i3} = production capacity

x_{i4} = product quality conformance

ε_i = Standard Error

The test results are presented below:

Results on the summary of regression analysis on Table 6, revealed that $R^2 = 0.237$. This implies that 23.7% of variation in Performance of procurement at the county government of Nakuru was as a result of the supplier capacity for special interest group of suppliers.

ANOVA tests on Table 7 reveals that the regression model obtained using coefficients in table 4.14 is significant in explaining the relationship between variables since $F(4,48) = 3.256$, $p = 0.021$.

Relationship between selection criteria of special interest suppliers and procurement performance at the county government therefore can be expressed using the relationship below:

$y_i = 3.231 – 0.1914x_1 - 0.195x_2 + 0.219x_3 + 0.363x_4$

The model also shows that the selection criteria of special interest groups significantly affect the Performance of the procuring entity. The criteria used in assessing quality conformance was significant in influencing the relationship while that used in evaluation of technical, financial and production capacity of special interest groups did not have a significant.

V. Conclusions

The technical capacity of suppliers plays a significant role in ensuring performance in a supply contract. However, the emphasis placed on the criteria used to assess the technical capacity of special groups of suppliers in the county government did not amount to significant effect in ensuring procurement Performance. The county government procurement had some criteria for evaluating the financial capacity of suppliers in special interest category. However it was not fully applied thus no significant effect was observed on the procurement Performance. The production capacity though it's taken into consideration in evaluating suppliers, it has not been fully assessed in procurement involving special interest groups in Nakuru County Government. As a result, its contribution in enhancing procurement performance has not been fully realized. The county government procurement criteria for selecting suppliers in the special groups category on quality and conformance to the present standards has been highly emphasized and practiced. Thus it has a significant contribution to the performance of the procurement function.

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Appendix 1: LIST OF TABLES

Table 1: Evaluation of Supplier Technical Capacity

	N	Min	Max	Mean	Std. Dev
The suppliers in special interest category are evaluated on technical capacity before award of tenders	52	1	5	3.04	1.33
Suppliers in special interest category have the required technical skills to allow them deliver their contracts	52	2	5	3.60	0.89
The department also assesses the suppliers on appropriateness of technology used before tenders are awarded	52	1	5	3.50	1.16
Reliability of technology used is taken into consideration when awarding tenders to special interest groups	52	1	5	3.23	1.09
The level of innovation is highly considered in awarding tenders in special interest groups	52	1	5	3.23	1.25

Table 2: Evaluation of Supplier Financial Capacity

	N	Min	Max	Mean	Std. Dev
Suppliers are selected based on their capital investment	52	1	5	3.25	1.23
Liquidity of suppliers is a key consideration in selecting suppliers in special interest group	52	1	5	3.19	1.16
The working capital of the supplier is taken into consideration in awarding tenders	52	1	5	3.39	1.11
The turnover of the supplier is first evaluated before they are awarded tenders	52	1	5	2.94	1.21
Special interest group suppliers are required to produce bid securities before awarding of tenders	52	1	5	3.15	1.42
The ownership structure of the company is highly regarded in awarding tenders to special interest category	52	1	5	3.42	1.14
The possibility of merger of takeover is considered before bids are awarded	52	1	5	2.88	1.45
Profile of customers is key in determining the ability of suppliers	52	1	5	3.58	1.29

Table 3: Evaluation of Supplier Production Capacity

	N	Min	Max	Mean	Std. Dev
Suppliers use state of art production equipments compared to other categories of suppliers	52	1	5	2.83	1.28
The production methods used by special interest suppliers are authentic	52	1	5	3.15	1.19
The output capacity of suppliers in special interest groups is good	52	1	5	3.17	1.10
Change over time from one type of product to another is considered in selecting special interest supplier	52	1	5	3.19	1.36
Suppliers are selected based on the surge capacity	52	1	5	2.96	1.33
Suppliers in special interest category are able to produce goods that are environmentally friendly	52	1	5	3.42	1.19

Table 4: Evaluation of Supplier Quality Conformance

	N	Min	Max	Mean	Std. Dev.
Suppliers in the special interest category are required to have quality management systems in place	52	1	5	3.60	1.24

Quality certifications are considered key for one to be listed as a supplier in the county government	52	1	5	3.60	1.19
The county government procurement department implements joint quality improvement with special interest suppliers	52	1	5	3.65	1.05
The consistency of supplies is considered significantly in selecting suppliers under the special interest category	52	2	5	3.90	0.93
Standardization of goods is taken into consideration when selecting special interest	52	1	5	3.67	1.18
Inspections of goods and services is ensured in special interest suppliers	52	1	5	4.08	1.01

Table 5: Procurement Performance of Special Interest Suppliers

	N	Min	Max	Mean	Std. Dev
The quality of goods and services delivered meets the expectations of the county	52	2.00	5.00	4.15	0.75
Suppliers in special interest groups are able to supply goods on agreed time	52	2.00	5.00	3.88	0.70
Special interest suppliers are able to supply goods at competitive prices	52	2.00	5.00	4.08	0.84
Value for money is achieved when buying goods from the special interest groups	52	1.00	5.00	4.00	0.89
Suppliers maintain high levels of transparency and accountability in executing their supply contracts	52	1.00	5.00	3.92	1.10

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.487[a]	.237	.164	.54053
a. Predictors: (Constant), Quality Conformance, Financial Capacity, Evaluation of technical Capacity, Production Capacity				

Table 7: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.805	4	.951	3.256	.021[a]
	Residual	12.271	48	.292		
	Total	16.077	52			

a. Predictors: (Constant), Quality Conformance, Financial Capacity, Evaluation of technical Capacity, Production Capacity

b. Dependent Variable: Performnce of Supplies

Table 8: Regression Coefficients

Model		Un standardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	3.231	.406		.000
	Evaluation of technical Capacity	-.191	.137	-.286	.171
	Financial Capacity	-.195	.147	-.306	.191
	Production Capacity	.219	.138	.381	.120
	Quality Conformance	.363	.139	.491	.012

a. Dependent Variable: Performnce of Supplies