

FACTORS THAT INFLUENCE PROCUREMENT PROCESSES IN THE AIR TRAVEL INDUSTRY: A CASE STUDY OF KENYA AIRWAYS

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ABSTRACT

Procurement process is an integrated chain of activities spanning from the final consumer; management, supply chain, supplier, logistics and finally ends again with consumption. Throughout this chain; there are several factors both from the internal and external environment. These factors influence the execution of procurement process either positively or negatively. It is important to establish how these factors affect the process; this because the procurement process can be enhanced or curtailed by these factors. The purpose of this study was to evaluate how five key areas affect procurement process: namely; procurement function placement on the organization's hierarchy, supplier relations, payment process, application of technology and regulatory framework. A case study of Kenya Airways was done to establish ways of harnessing them to enhance procurement performance service level's efficiency. Target population for this study was the entire supplier base for Kenya Airways, buying staff and accountants at the expenditure section. Using convenience sampling the study concentrated on Procurement and Accounts payable staff. Also 32% of 300 suppliers were selected employing the rule of thumb. This gave a sample size of 96 respondents. By use of semi-structured questionnaires as instruments of data collection; the researcher interviewed procurement and accounts payable staff

INTRODUCTION

Procurement is a function found or practiced in every single organization including household units. The practice ranges from individual basis to an advanced organized one in a large organization. Not a single of these organizations can do without it; hospitals, airline companies, hotels, manufacturing firms, shopping malls, schools, government offices just to name a few all have procurement function in operation within their premises. In some

while using email technology suppliers filled in the questionnaires and mailed them back. The data collected was analyzed in narratives and represented on tables and pie charts. The study revealed that large percentage of firms has their Head of Procurement reporting to the CEO. This facilitates faster decision making and efficient procurement process. Improved supplier relations leads to prompt deliveries, payments improved cash flows and exchange of information. Communication problems, oversight, ignorance, corruption and cash flows are some of the reasons for delayed payments. Improved payment processes leads to timely deliveries, goodwill and attract best suppliers, good reference and faster response on quotation enquiries. Application of technology saves time, improves transparency, reduces cost, provides continuity, efficiency, reduces corruption and therefore contributes to better procurement processes. Regulatory framework can have an adverse effect on procurement for example bureaucracy, high staff turnover, long lead time and demotivation. This will affect procurement process. All stakeholders need to apply concerted integrated initiatives to ensure that all factors that affect procurement process are harnessed to leverage on their positive aspects to ensure attainment of a world class procurement function.

Key Words: *procurement processes, air travel industry, Kenya Airways*

organizations procurement controls a large percentage of the total spend especially in manufacturing set up. Due to the foregoing there is an increased interest with this buying function. As such; many firms have elevated it to management level where the head of supply chain reports directly to the CEO. This is done to preempt the effects of the several factors that influence the entire procurement process. These factors are from both the internal and external environment; internally issues like approval hierarchy may be an impediment; while externally supplier relations require utmost attention to reap its full potential and benefits.

Due to the effects of changes in financial sector across the globe, most organizations are quickly changing the way things are done with a major emphasis put on cost cutting measures. There are tighter controls on budgetary approvals and planning. This is a desperate move to reduce operational cost to preempt reduced revenue due to a matching reduced spend by customers owing to less disposable income. This is what has caused the sudden desire to streamline Procurement activities. The “business as usual” way of doing things has been changed by implementation of strategic accountable measures poised to achieve results in the short and long term basis. Performance is reviewed periodically to monitor progress and apply corrective measures as remedy. Procurement therefore falls squarely in the mix of the variables core to the company’s survival. Due to the foregoing it’s important that all the factors that influence its operation are determined and harnessed to forestall any hurdle that may derail the ultimate total cost reduction goal.

Dominick (2008) outlines characteristics of a modern strategic purchasing department. The characteristics can be used as a checklist and a set of goals to aspire in order to attain a world class status; they are enumerated here below:

1. The head of purchasing reports directly to the CEO of the company.
2. The department is responsible for procurement in “non-traditional” spend areas such as healthcare benefits, fleet management, facilities and construction, temporary labor, and travel.
3. Purchasing is actively involved in senior management level, long-term strategic planning.
4. The purchasing staff is responsible for manually placing only a small percentage of the organization’s purchase orders.
5. Logistics and inventory functions either fall under Purchasing on the organizational chart or are integrated into the work of purchasing staff.
6. Maverick buying is a thing of the past.
7. When dealing with large, frequently used suppliers, no paper is exchanged between the times that a need for a product or service is defined until the time that the supplier receives payment.

This typifies the ideal situation and one of the new age trends epitomized by world class supply chain operations. This study will explore some of these dimensions and their effect on procurement.

STATEMENT OF THE PROBLEM

Saleemi (1997) holds that the procurement process is a vital part of operations in an organization and in this regard its importance cannot be overemphasized. For every single unit of the organization to perform and meet service level demands they will require materials and services to be procured by the procurement function. In the entire process of procurement; the profession interfaces with several stakeholders namely user departments, technical team, finance, management and policy framework, suppliers and logistics. This environment in which the profession operates is therefore erratic and a complex one and there are several factors that come to the fore to influence the final product or service delivery (Frank McGinnis, Lisa McCarty, 1998). Pearson and Karen (2002) argue that a firm's ability to compete successfully in today's environment requires the integration of a sophisticated purchasing function into the strategic management decision making process. Three factors are creating the need for this integration: changes in the supply environment, increasing intensity of competition, and the changing role of the purchasing function. The airline industry is characterized by rapid or faster turnaround operations (AT Kearney 2003); for example at Kenya Airways, the time it takes between arrivals and take offs is barely an hour. All supplies to replenish the in-flight requirements must be ready to be loaded; luggage and passengers as well need to be on the standby to achieve the holistic service level requirements. Procurement plays a critical role in the entire value chain by ensuring that all services and goods are available in time for use. The study helped draw out how procurement interfaces with its environment and how it's influenced by them. Advancement in technology for example has made the world to become a global village where events at one part of the globe can have far reaching effects to another one thousands of miles away. Organizations therefore cannot ignore external environment owing this reality.

GENERAL OBJECTIVE

The overall objective of this research was to analyze the factors that influence procurement processes in the airline industry and establish ways of leverage on them to enhance procurement performance service level's efficiency.

RESEARCH QUESTIONS

1. What is the effect of the procurement function's placement on procurement process?
2. What is the effect of supplier relations on procurement process?
3. What is the effect of payment processes on procurement process?
4. What is the effect of technology application on procurement process?
5. What is the effect of regulatory framework and policy formulation on procurement process?

LITERATURE REVIEW

Theoretical Background

Thesaurus online dictionary (2007) defines the verb Purchase as; “to buy, obtain by effort, risking danger, and seek to bring about, to acquire in any way other than inheritance, to make a good buy; get ones money’s worth.” It further defines a Function as “the doing of a thing, duty peculiar to any office or job, an event, etc dependent on some other factor or factors. It also defines a Purchaser as “Buyer, preemptor, shopper, offerer, acceptor, and bargainer.” They also define challenge as confront, defy, face, brave or face up to.

Lysons and Gillingham (2003) defines purchasing function as a unit or department in which people use specialized skills, knowledge and resources to perform specialized tasks. The function procures supplies; the term also means to obtain materials of the right quality in the right quantity from the right source, delivered to the right place at the right time. They further clarify that procurement is a wider term than purchasing which implies the acquisition of goods or services in return for monetary gain. Procurement however is the process of goods or services in any way including borrowing, leasing and even force or pillage. The term “world class was popularized by the book world class manufacturing by schonberger. Ultimately world class purchasing depends on obtaining world class suppliers. World class suppliers will tend to mirror the characteristics of world class purchasing which are commitments to total quality management, Just in Time, total cycle time reduction, long range strategic planning, supplier relationships, strategic cost management, performance measurements etc. Shared expertise forum (2005) holds that in an expanded global economy, sourcing and procurement challenges have become more complex. Multiple divisions in different countries with disparate systems can lead to inefficient procurement processes.

Procurement Process

Procurement as the dependent variable is affected by the independent variables as depicted in the conceptual framework. The process starts from the identification of needs and setting of specifications by the quality teams. The value of purchase and nature whether capital expenditure or minor office purchase will influence the method used in acquisitions of quotations. The methods ranges from direct purchase to tender process for high value purchases; once the bidders have been evaluated; the lowest evaluated one is awarded the contract and once all obligations have been met payment is effected. The purchasing function and the end user may carry out supplier performance evaluation for future decision making.

Procurement Function Placement on the Organizational Chart

Procurement function’s placement at the company hierarchy determines their autonomy and degree of freedom to make decisions. For example if the head of procurement reports directly to the CEO he will be part and parcel of the top company decision making board. At that level the function is able to contribute immensely to the strategic plan and policy formulation; they will be involved early in the procurement process making it easier to buy in bulk and access corporate volume discounts enabling them to increase the cost saving margins. The

reverse may not be true as the degree of freedom is less and characterized by Maverick buying with no plans at all. Dominick (2008) advances in a strategic set up the head of purchasing reports directly to the CEO of the company. This is the new trend all over the world where the firms have recognized the function's contribution towards the attainment of the corporate goals.

Saleemi (1997) asserts that purchasing participation in corporate decision making process is important in both commercial and industrial organizations. This function plays a key role in planning the purchasing activity as a whole. Traditionally purchasing has been locked out of strategic corporate decision making process. Normally decisions are made at the high levels and brought down for purchasing function to implement. The ideal situation would have been to have purchasing on board from the word go to enable the function to internalize all the dimensions and to determine its destiny.

Andreas (2008) stresses the importance of procurement in a global environment. Until recently, procurement was a necessary, but seldom celebrated, component of multinational corporations. But times have changed: Procurement has become an integral part of corporate performance and is drawing increased attention from senior management; these days, procurement organizations within companies are playing pivotal roles in the success of global firms in ways that old-fashioned purchasing managers could never have imagined. As supplies of critical commodities tighten and prices rise, companies can strategize to mitigate these and other risks. Challenges include training and employee development, managing global sourcing offices and ensuring collaboration across corporate departments.

Drucker (1998) advances that under a restructured organization practicing SCM, coordination links are established between purchasing and technical disciplines. Top management recognizes the importance of purchasing professional development and opportunities in contributing to corporate profitability. This will lead to Procurement's elevation to management level with myriad streamlining of its operations in preparation of realization of desired results. Instead of operating exclusively; the function supports the firm's competitive strategy by adopting purchasing techniques and practices which strengthen the firm's competitive position.

Purchasers are included in sales proposal teams, Suppliers are considered as a resource which is carefully selected and motivated and purchasing strategy is fully integrated into the firm's competitive strategy and constitutes part of an integrated effort among functional peers. Cross functional training of purchasing professionals is made available. Permanent lines of communication are established among other functional areas. This is done to enhance coordination and integration and avoid wastage and duplication of resources and efforts respectively.

Professional development of purchasing focuses on strategic elements of the competitive strategy. This involves bench marking, peer reviews and joint purchases between close allies. Market products and suppliers are continually monitored and analyzed and purchasing performance is measured in terms of contribution to the firm's success.

Supplier Relations

Suppliers are becoming more and more important in the supply chain operations; indeed most firms have realized that they have to overhaul completely their policies of dealing with them. Nothing short of a paradigm shift could apply to the new wave that is fast taking the procurement circles by storm! Owing to large proportion of the corporate spend taken by the purchase of goods and services, more pressure is exerted on the procurement staff to cut on cost substantially. This profession becomes the last hope for chief executives to realize the much desired competitive overall lowest cost and maximum return on investment.

It is against this backdrop that an elaborate platform for close relations with suppliers is being coined. The traditional adversarial relation between buyers and vendors is long overtaken by events. Most profitable companies have embraced the tenets of strategic sourcing where vendors are brought on board in Early Supplier Involvement (ESI), in product design and development, and in partnership ventures for mutual gains for both parties. Such a move definitely produces better margins of savings and hence achieving the overall cost reduction objective and competitiveness.

Chaston (2001) avers that the role of communication in the customer-supplier relationship is to ensure that both parties keep the other informed of events that might disrupt the flow of goods and services through the supply chain. Communication can be described as the glue that holds together a channel of distribution. Any incidence of miscommunication could be very costly and may lead to strained relationships with far reaching implications like stock outs, idle machine time, lost customer good will and company closures. In industrial markets where changing suppliers may involve a significant investment in re-tooling costs, both parties will probably attempt to resolve differences. Supplier relationship management has increasingly gained prominence as one of the key areas to be integrated in a world class procurement level operation.

Buzzell and Ortmeier (1995) concurs that recognition has gradually dawned amongst the players that there is a need for all parties to move away from the traditional adversarial relationships to a philosophy based upon cooperative partnerships with the aim of building a more efficient supply chain systems. The result of such a concerted effort has enabled multinational companies to obtain an extra edge of competitiveness over their rivals. They are able to reap benefits of value added services from the suppliers whose capacities are enlarged. Mutually all parties are able gain that overlap cross discipline areas.

Branch (2002) emphasizes that the international purchasing process is complex and a major function of the buying process that is concerned with developing empathy with the sellers overseas to ensure both parties can develop the product jointly for the ultimate consumer. This relationship is a key factor in the successful sourcing of products overseas. Management of supply chain relationships therefore remains a major challenge and calls for integration of all efforts to ensure that the critical balance is kept at all times.

Early Supplier Involvement (ESI) and Early Buyer Involvement (EBI) in product innovation and development are closely related. ESI recognizes that supplier involvement can be

beneficial in terms of costs, quality and innovation. Purchasing as part of a cross functional design team can play an important role in supplier selection and supplier management (Lysons & Gillingham, 2003). They further argue that possible risks of a reduced supplier base are overdependence on a single supplier, danger of supply disruption due to strikes, production breakdowns, and natural disasters, disruption of suppliers' supplies, loss of supplier goodwill, reduced competition, and failure to seek new or more competitive suppliers.

Situational factors influence flexibility during different stages of the negotiation process. For instance the willingness to study the issues from different perspectives is important during the pre-negotiation planning period. Willingness to consider partial agreements, making concessions and forming coalitions is important for a give and take spirit. Setting deadline for concluding talks facilitates the final stage (London, 1995). Churchill, Ford, and Guo (1997) say that performance evaluation on suppliers focuses both on product and supplier. Goods are inspected to verify conformity with specifications on the purchase agreement; later the product actual performance is analyzed with respect to expectations. Suppliers on the other hand are evaluated on promptness on delivery, quality of product, and after sale service.

Suppliers can exert bargaining power on participants in an industry by raising prices or reducing the quality of goods and services. Powerful suppliers can therefore squeeze profitability out of an industry unable to recover cost increases in its own prices (Mintzberg, Quinn & Ghoshal, 1999). Bill Stotzer (2008) in exploring the challenges facing the sourcing and procurement organizations today advances that many financial institutions have identified procurement cost savings and made an attempt at cost reduction. Some have achieved greater success than others. Minimal attention has been paid to cost effective Sourcing and Procurement. The financial services industry has also experienced a significant amount of merger & acquisition activity over the last 5 years. Although a fair amount of integration activities have occurred, the combination of these institutions has created another set of challenges.

Sourcing and procurement cost takeout is very easy to understand at the strategic level. One needs to identify where an organization can consolidate spend, use enterprise leverage to negotiate lower unit cost, and then direct the users to purchase from the new enterprise contract. However, in a large global institution, with a fair degree of autonomy in the business units, these tasks can be very difficult to implement. The four areas are to develop a case for change, align executive management around the case, create a multi-year roadmap and possibly the most important, and make sure the project has a disciplined benefits realization process in place.

Payment Process

Payment processes influence in a big way the entire process of buying starting with the budget verification process; this stage can consume a lot of time where users are required to identify alternative sources of funds if what had been earmarked for the expenditure has been used on another spend item. Submission of delivery notes, invoices and proforma invoices

may prove to be a challenging process especially if the supplier is told to send certified copies when the original ones have been lost. It delays prompt deliveries when buyers and sellers are locked in a tussle over delayed payments; the whole chain is disrupted and efficiency levels compromised. There is need to harmonize policies of the buying and selling organization to ensure all payment processes flow in unison thus promoting best supply chain practice.

Dominick (2007) says that the buyer and the seller must agree on a currency to use. While some buyers insist on their own currency for simplicity's sake, prudent decisions consider use of the supplier's currency when the buyer's currency might strengthen relative to the supplier's currency between the agreement and payment dates. Global sourcing often involves payment using a letter of credit which requires the involvement of both the buyer's and supplier's banks. Once a contract is agreed, both parties are legally bound to fulfill their contractual obligations: in essence the contractor completes the work in accordance with specifications with regard to quality and time; the contracting authority promptly pays the agreed price for all such work carried out, (Baily, Farmer, Jessop & Jones, 1998).

GAO (2000) identifies the following steps of the acquisition and payment process involving general purchases: purchase authorization (the ordering function), receipt and acceptance of the items ordered, receipt of the invoice, payment approval and authorization, and actual payment (disbursement of funds). The purchase authorization portion of the process is the formal approval of the purchase by responsible designated officials within the agency and usually results in the obligation of budget authority. The receipt and acceptance portion generally involves an employee taking possession of the items purchased and verifying quantity and quality of the items received. Receipt of the invoice or bill from the supplier or vendor represents a claim against the company for the items sent or delivered per the company's purchase order.

They further hold that the traditional payment approval process has been modified over the years primarily through the application of statistical sampling and "fast pay" procedures, and the widespread use of computer technology. Statistical sampling was initially implemented in the 1960s to reduce the cost of the payment process while still affording confidence that payments were processed accurately. Statistical sampling procedures implemented involved a random selection of invoices from a known universe of invoices below a certain dollar amount (currently set at \$2,500) to be examined in lieu of examining all invoices as would be done under a 100-percent examination.

Fast pay was implemented in the government, in certain circumstances, on a larger scale during the 1980s to assist agencies in meeting the payment timing requirements of the Prompt Payment Act. It involved the examination of invoices after payment in lieu of prepayment examination. It should be noted that statistical sampling and fast pay procedures neither reduce the need for effective internal control nor relieve the certifying/disbursing officer of his or her responsibility. They merely provide a mechanism to reduce clerical costs and expedite processing while continuing to meet prompt payment requirements and maintain effective internal control.

ECB (2002) reported that in order to adopt e-payment a company needs to identify trade partners once an Enterprise Resource Planning (ERP) system has been implemented. This would enable the firm to adopt e-billing and e-payment of electronic funds transfer (EFT) to be achieved. Faster settlements can be achieved while saving cost on invoicing (ERP-to-ERP) - order management, billing, invoicing, payment initiation, cash management - with open standards supported by vendors. Trade risks can be reduced once all parties have adopted this method while enhancing a steady flow of goods and services.

Technology Application

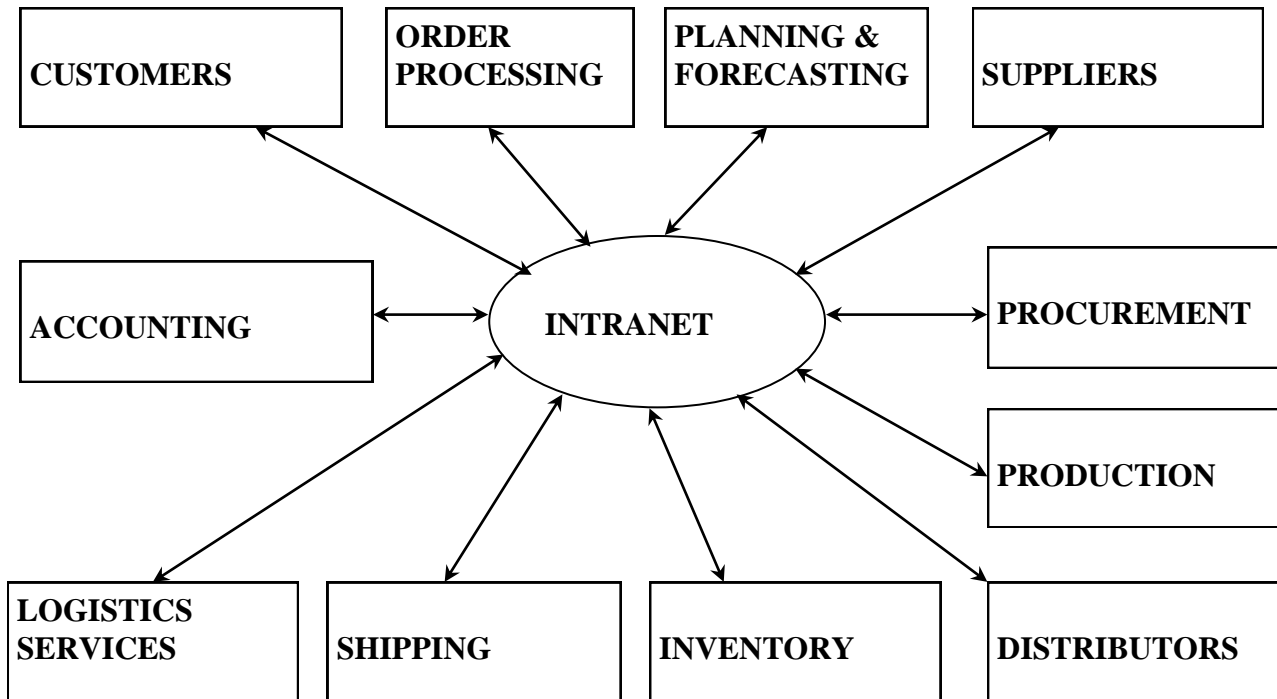


Figure 1: Supply Chain Management Graphical Presentation

The figure above shows the use of ICT in the implementation of Supply chain management. This has enhanced operations greatly for example the use of Enterprise Resource Management (ERP) has broken down the walls of exclusion between cross functional teams. The stock management team is able to access information about shipments, work in progress, and distribution networks to make informed decisions (Drucker, 1998).

Purchasing is leaning towards lean operation relying on technology. As seen in the illustration above ICT becomes the main driving factor in the process of integration. It makes work easier and faster and a cheaper way. Cross functional teams are integrated in managing purchasing type projects with procurement function playing a key role. Due to highly advanced use of top of the range technology there is very little wastage of resources. With the development of internet and information system, logistics need faster and more efficient means of communication and information between customers and suppliers, and prevailing E-business environment demands new logistics systems, which are designed and coordinated with the ERP (Enterprise Resource Planning) system.

According to SAP (2008) government procurement professionals face a unique set of challenges. In public sector organizations, speed and efficiency are difficult to achieve because workers must fully document and audit procurement processes that are often lengthy, labor-intensive, and time-consuming. Every day, procurement professionals try new processes and tweak existing ones to find innovative ways to meet their customers' demands. But in public sector organizations there are hundreds – sometimes thousands – of rules, regulations, and directives that simply can't be avoided.

In addition to the constraints of such a structured environment, there's a more fundamental problem: a limited workforce. Many public sector employees will be eligible to retire within the next three to five years, and there aren't enough workers trained and ready to take their places. Organizations must compensate by changing the way they do business – and enterprise resource planning (ERP) solutions provide the answer. But for public sector organizations, there's a catch. With cumbersome procedures that require steps such as budget checking, competitive bidding, vendor certification, and strict control over contract changes, public sector procurement processes often don't fit into standard automated solutions.

Raj (2008) asserts that business expansion and growth, nowadays, through mergers and acquisitions (M&A) are inevitable. Apart from managing the risk of workforce events and restructuring (Human Resource Harmonization) caused by M&A, organization begins the journey with quickly integrating mergers and acquisitions into one enterprise processes and systems. Talking about process consolidation and IT integration, Sourcing and Procurement processes and systems cannot be left behind. Procurement Challenges resulting through this Business Expansion of M&A is huge. First thing first - Multiple divisions in different countries with disparate processes and systems leading to inefficiency, little spend visibility across the organization, greater supplier variability, data management and different naming conventions multiply the complexity.

Regulatory Framework and Policy Formulation

The way top management handles human relation policies also has a great bearing on procurement process. This can increase and decrease motivations levels and in turn affect performance by procurement staff. A high labor turnover can be a result of low pay packages especially when the market rates are higher. Incentive packages like housing scheme, car loan, training, clear promotion criteria, and participative management are just but examples of good practice in this regard.

Policies on procurement process as stipulated on procurement manuals need to be aligned to meet market situations and company policy. Degree of flexibility need to be enhanced to allow for timely modifications to suit the dynamic nature of the supply chain operations in the global arena. Unnecessary red tape need to be avoided and continuous process improvement, total quality management, strategic procurement approach and other best practices should be applied. Although procurement has become a strategic agenda item for many businesses and organizations today, the challenges for B2B (business to business)

procurement remain plentiful. Pain points and obstacles felt by organizations typically fall into these six categories: accessibility, flexibility, control, cost and time.

Accessibility: Vendor catalogues are not always up-to-date or available in “real-time”, product availability and lead-time information not always available, need for all vendors to be accessible via internal procurement/ ERP systems, order status and history reports not always available

Flexibility: Unable to look-up “real-time” pricing information when it’s convenient for you want to choose how and when you interact with the vendor

Control: Need to enforce internal purchasing workflow approval rules, want to reduce vendors and leverage transaction volume.

Cost: Too much overhead associated with procurement process, negotiated or “on-contract” rates not always being utilized across entire organization, looking to recover VAT, duties and taxes, need to obtain accurate logistics charges, want to leverage cost of internal, procurement/ERP systems

Time: Manual quote process can take up to several days, complex IT purchases and configuration result in lengthy quote or PO process, reconciliation of mismatched Quotes and POs. Global operations: Need to accommodate local currency and language, managing local legal and trade restrictions for cross-border transactions (Dimension Data, 2008).

Mac Kinsey (2008) asserts that companies say they have tapped only a fraction of the savings possible from purchasing in China and are giving local procurement offices greater autonomy to get more. Resistance from headquarters staff and fierce competition for experienced people in Chinese purchasing offices, however, are impeding the shift. Companies are overcoming these and other hurdles by taking measures such as helping suppliers improve the quality of their products and rotating purchasing staffers between the home office and the Chinese sourcing operation.

CNET (2008) expounds that in an expanded global economy, sourcing and procurement challenges have become more complex. Multiple divisions in different countries with disparate systems can lead to inefficient procurement processes. Add global outsourcing, business growth through acquisition, supplier variability, manual data entry and consolidation, and multiple part numbers for the same items, and those challenges multiply quickly. This business challenge can be sorted out by adopting a consolidated procurement is designed to help companies meet those challenges by: Centralizing purchasing and collaboration across all divisions, suppliers, and outsourced manufacturers across all geographies and item types, establishing a single system of reference that can link to multiple back-end systems, allowing local processing, enabling easier rescheduling, substituting or transferring of inventory from other locations to meet exception conditions and obtaining global visibility and tracking of all purchasing, including project-based purchasing.

According to Eugene and Houston (2001) it is sometimes possible to hedge against exchange rate function, but it may not be possible to hedge completely especially on long term projects.

This has been a major issue especially for companies buying from overseas sources. They are forced to have numerous adjustments and administrative expenses involved in the operations. Due to the volatility of the world economic environment, many changes come without notice and often call for prompt contingency measures to arrest the situation.

Training suffers because it is difficult to identify and demonstrate the results that training produces. During economic difficulty situations, a normal management strategy is to concentrate on those activities that will produce immediate results. We thus have the irony that training is most likely to be supported at times of company's prosperity rather than at times of great need (Torrington & Hall, 1991).

Employees can be trained to identify and deal with ethical issues during orientation and through seminar and video training sessions. Behavior that is reinforced tends to be repeated whereas that which is not tends to disappear. Ethical conduct too is often punished while unethical behavior is rewarded. Ethics need to be an everyday affair, not a one-time announcement (Kreitner & Kinicki, 1998).

RESEARCH METHODOLOGY

Research Design

This study was a cross-sectional descriptive study taking the "who, what, where, how" format (Carrington, 2004). Typically it involved conducting a survey of a sample of population elements at one point in time. It was useful because it will provide a quick snapshot of what's going on with the variables of interest for the research problem by documenting data collected about factors affecting procurement processes. The data collected from the suppliers, purchasing and accounts staff was largely qualitative and hence was best presented by narratives, analysis and deductions translating into recommendations. For visual appeal the narratives and deductions were presented using tables and pie charts.

Population and Area of Study

The field of study was comprised of all suppliers of Kenya Airways, Accounts payable staff and procurement totaling to approximately 300 persons. These were targeted since the procurement process involves procurement staff, suppliers, and accounts for invoice settling. The other variables like technology application, regulatory framework were all captured within the questions posed to all respondents.

Sampling Design

Kothari (2004) advances that a sample size should neither be excessively large nor too small. It should be optimum to fulfill the requirements of efficiency, representativeness, reliability and flexibility with regard to the population size. Fisher, Laing & Stoeckel (1983) recommends that if there is no estimate available of the proportion of the target population assumed to have the characteristics of interest; 50% should be used. 50% in this case would translate to 150 respondents, however due to time and financial constraints this was not be tenable. Mugenda & Mugenda (2003) Clarifies that dealing with all members even of the

smaller accessible population would still involve a tremendous amount of time and resources. Researchers therefore further select a given number of members from the accessible population. According to Anis (2008) the rule of the thumb is commonly used in determining the sample size; this is normally set at 32%. This is so because the distribution of an average will tend to be normal as the sample size increases and reaches the peak at 32, regardless of the distribution from which the average is taken when the moments of the parent distribution do not exist. Thus using convenience and stratified sampling the study concentrated on the three strata, 8 Procurement staff, 6 Accounts payable staff and 82 suppliers. 32% of 300 will give us a total of 96 respondents distributed as follows $8+6+82 = 96$.

Methods of Data Collection

Data was collected from respondents by the use of semi-structured questionnaires as an instrument of data collection. Formal interviews (for respondents within reach) were used as a method of data collection. The interviews were useful since the respondents were within reach and data collected was largely qualitative; the researcher was able to get a feel of the sentiments and views. The respondents who are far away filled the questionnaires and forwarded back via email to the researcher. Due to the geographical distribution of the suppliers of Kenya Airways it would be very expensive and time consuming if the researcher were to travel to meet the respondents physically. Using email as a means of response was the only option available to effectively mitigate against the constraints highlighted above.

Data Analysis

Data analysis was done in two major ways, qualitative and quantitative. Qualitative data was analyzed by narratives detailing the general views expressed by respondents on each variable. A summary was done on different views then represented in tables as frequencies. The qualitative data above turned into quantitative data was represented on tables as frequency distributions, charts and percentages. The categories of answers given per question in the questionnaire formed frequencies in tables. For visual appeal and ease in interpretation, the tables were presented in form of pie charts.

RESEARCH RESULTS

The study revealed that the procurement sector in the airline industry has a high percentage of learned personnel with age distribution concentrated at the middle age level. All respondents agreed that placement of procurement function has an effect on the process. The general view from the respondents was that delays in the procurement can affect the supplier buyer relations.

A cordial relationship between the buyer and supplier simplifies and speeds up the buying process. The study revealed that relationship between vendors and buyers is highly influenced by type of purchase and volume of business. It also became evident that a high rate of staff turnover can greatly affect supplier relations.

The study revealed that in many of the times when payments are delayed it's an issue of lost documentation either it's an invoice or delivery note. Corruption, ignorance, ignorance,

oversight and cash flow issues in that order are also issues that have to be dealt with conclusively.

Communication is very important between the buyer and the supplier so that payment process is not delayed. Application of technology increases efficiencies and saves valuable time in procurement process. ERP is one of the procurement systems in use by some of the respondents.

However technology application suffers various setbacks on its use for example resistance to change by proponents of status quo, hard liners, adoption costs, and lack of required expertise. Technology application has its share its share of negative effects like system failures; fraud cases, internet crimes and job cuts or redundancies.

Regulatory provides the means of control for management on the entire process of procurement and acts as a point of reference to ensure smooth operation where nothing is left for doubt on steps to be followed at each stage and no time is wasted on decision making. Goods management is the fertile ground where best practices and excellence in operations is harvested. Regulations should be able to protect the supplier, buyer and the interest of the company. It should facilitate harmonious existence between the concerned parties.

When nothing is done to motivate and encourage the participation by staff; they are left with no option but to move on with their careers elsewhere. A degree of flexibility and authority to make decisions encourage participative management and everybody feels a sense of accomplishment. This is very important aspect of motivation. Other setbacks include increased cost, de-motivation, long lead times and complicated product.

CONCLUSIONS

It can be concluded that firms whose head of procurement reports to CEO benefit with faster decision making, time saving and direct communication with the final decision maker allows for short response time. This arrangement places them at the same level with other directors of the company ensuring interaction with the production and planning teams, sales, design and engineering. Best relations are based on good understanding of each party's operation needs. Reliability and honesty rule the relations and in turn it makes the process seamless and efficient. A cordial relationship between the buyer and the supplier simplifies the buying process. In turn the right goods are supplied time with the right specifications. This relationship is also influenced by the type of purchase, frequency and volume of business. Delayed payments are caused by lost document either it's an invoice or delivery note; communication issues, misunderstandings due to assumptions and ignorance.

In international trade; adherence to payment terms facilitates the speed of shipment and delivery. The vendor has to pre-finance the production and in view of this may not be in mass production by single orders. Down payments could greatly assist the vendors to offer faster delivery periods. Respect of agreed terms will greatly enhance the relationship. Supplier should communicate clearly the payment terms in advance to avoid misunderstandings. The buyer on the other side has to make the vendor know the company policy on payment. The

agreed terms should be for the mutual benefit of the parties concerned; and if this is fully implemented then it will help cement the relationship between buyers and suppliers. It will also boost supplier confidence and improve lead times. The buyer then must ensure that agreed terms are adhered to promptly.

Technology application helps in increasing efficiency, level of participation and transparency in procurement process. To effectively reap the benefits of technology application above; there is a lot to be done on internet speeds, knowledge of buyers and supply of ERP systems. A lot of training and onsite support for both parties is needed to take it to the next level. Technology application brings about process improvement leading to higher efficiency levels. Fewer resources will be utilized in terms of paper, human resources and time. Same procurement process cycle will be completed but with less cost awarding the organization an extra edge in competitiveness. Setbacks of technology application include resistance to change by proponents of status quo hardliners, adoption costs and lack of required expertise. Technology application assist management by providing the platform on which it is managed like online tracking of shipment over the sea, air and road by use of internet and other tracking devices. One simply needs a tracking number and enters on a website and immediately gets update of the current shipment status. This has greatly improved procurement process; transparency and better service delivery. By use of technology like in ERP; approvals of orders and other matter can be done online and at any time anywhere. This reduces the turnaround times that would be spent in waiting times during weekends; holidays and other geographical issues. Bulky work can be processed in a faster manner by use of automated processes; while this is done the whole process is available for scrutiny in excellent transparency. Negative effects of technology, application include delays; fraud, internet crimes and loss of jobs due to rationalization.

Regulatory provides a means of control for management on the entire process of procurement. To comply with best practices and ensure a fair play for all vendors who participate on tenders. Without an element of control the whole process of procurement loses its credibility and vendors will shy off to detriment of the buying firm. Regulatory framework acts as a guideline to steer the procurement process. It also act as a point of reference and ensure smooth operation where nothing is left to doubt on steps to be followed at each stage and no time is wasted on decision making. These set of rules ensure there is uniformity of operations across the organization. All persons engaged in the procurement process have the same set of rules to guide and control their actions. Enforcement of this framework ensures incidences of corruption are reduced. Any person who feels aggrieved could easily seek redress on the basis of the laid down rules. Good management is the fertile ground where best practices and excellence in operations is harvested. Regulations alone may not suffice in the quest to gain an extra edge in performance. Top management has to show the way and example to follow on integrity, fair play and best practices. On the other hand strict or elaborate policy could over complicate a product and in turn increase the price. Regulations should be able to protect the supplier and buyer interest of the company. It should promote harmonious existence between the concerned parties. Bureaucracy as a result of framework

enforcement may cause a sense of hopelessness and staff is left feeling like they have been caged in and without enough breathing space.

When nothing is done to motivate and encourage participation by staff; they are left with no option but to move on in their careers elsewhere. A degree of flexibility and authority to make decisions encourage participative management and everybody feels a sense of accomplishment. This is very important aspect of motivation. Other setbacks include increased cost, de-motivation, long lead times and complicated product.

RECOMMENDATIONS

Heads of procurement should report directly to CEOs of their organizations; hasten the procurement process by saving time in decision making, increases the visibility of the function across the organization; direct communication among functional areas. Integrity and transparency is enhanced by the increased responsibility by representation at the top management level.

Supplier relations must be enhanced to leverage on a closer relationships leading to partnerships, joint ventures and mergers to support business sustainable competitiveness to ultimately fasten the procurement process. All stakeholders should work together to reduce staff turnover to mitigate on its effect on procurement process and supplier relationship management.

All parties involved should work together to map out the payment process to ensure that it is done in a schedule to reap the positive effects by following agreed terms. All channels of communication should be enhanced between the vendors, buyers and two organizations to leverage on sharing vital market information, new efficiency levels and other pertinent issues.

Procurement must fully embrace application of technology in all operations and dealings with vendors and cross organizational teams to speed up the procurement process and improve efficiency. There should be constant updating and upgrading systems to keep pace with the technological global village.

Top management should work with procurement to help mitigate against setbacks of technology application like resistance to change by proponents of status quo, adoption cost and lack of required expertise. Other includes delays caused by system failures, fraud, internet crimes and loss of jobs due to rationalization.

Top management should enforce compliance to regulations to promote best practices and ensure fair play for all vendors who participate on procurement process. It shall also act as a point of reference and ensure smooth operation where nothing is left to doubt on steps to be followed at each stage and no time is wasted on decision making. Strict or elaborate policy should be avoided with care to constantly review rules and regulations and policy to avoid bureaucracy and unnecessary costs. Excellent motivation and remuneration packages should be enshrined in organizations' strategic.

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