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ABSTRACT

Globalization has gained much attention in today's business environment, with businesses going multinational on transactional activities. However, this trend is characterised by several challenges whereby cost is key and customers are expecting lower cost products without compromising on quality of the services and goods being provided. It is important that continuous improvement activities such Kaizan, lean operation, effective and efficient supply chain are embarked upon for the upholding of supplier's quality commitment. The objective of the study was to evaluate the effect of supplier's quality commitment on procurement performance in private hospitals in Kakamega County; Kenya. The study applied Cross Sectional Survey research design. The targeted population was from procurement staffs from the total Kakamega County Private Hospitals. Simple Sampling was engaged that involved census technique since the population was manageable. Data was collected through structured questionnaire which was used as an instrument of data collection; hence administered through drop and pick technique. Piloting was done in Vihiga County on Private Hospitals hence this enabled for testing of the reliability and validity of the research instrument. The study's descriptive and inferential statistics was analyzed by use of SPSS version 24 software and conclusion was; Supplier's Quality Commitment had an influence on Procurement Performance in Private Hospitals in Kakamega County, Kenya. The study recommends for the Private Hospitals in various Counties to embrace the use supplier's quality commitment practice for the improvement on procurement performance.

Key words: *Supplier's Quality Commitment, Supplier Evaluation, Procurement Performance*

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INTRODUCTION

Globally, most researches and practitioners have reinforced the importance of the performance of the public procurement function in both private and public organizations. In this regard, Petersen et al. (2005) asserted that supplier evaluation and selection in a competitive bidding process is a major challenge; and noted that a well-managed and structured approach to supplier selection ensures that the suppliers have the skills and knowledge to do the job and that they are developed to their full potential. The institution will benefit from this through cost saving, improved quality, effectiveness and efficiency, financial costs, mitigating delay costs that is when work cannot be done because of lack of equipment necessary for the job and reputational costs. So, effective supplier selection can also ensure that suppliers understand the aims, objectives and strategies which will cascade into their personal aims and objectives (Petersen *et al*., 2005.

Supplier evaluation is an integral part of the supply chain function as this will determine the general performance of the supply chain in terms of quality, cost and delivery time and enhance continuous supply; hence involves critically analyzing suppliers while considering tasks such as periodical visits, supplier rating and appraisal. Supplier evaluation enhances organizational performance across the supply chain by minimizing operational costs, shortening process cycle, refining quality performance and enhancing customer satisfaction.

Supplier quality management is a set of activities in mostly initiated by the management to improve organization performance. Such activities include measuring and tracking the cost of supplier quality, using performance-based score cards to measure supplier performance, conducting supplier audits and establishing effective communication channel with suppliers among many more, with an aim of achieving customer satisfaction. The impact of supplier quality on an organization's performance is large and direct, and the general understanding is that a firm's quality performance (output) can only be as good as the quality performance of its suppliers (input). An increasing tendency towards supplier development by organizations as supplier quality integration is found to be a critical dimension of quality excellence.

Procurement performance involves allocation of sufficient resources financial, personnel, time, and establishing a chain of command or organizational structure. It involves assigning responsibility of specific tasks or processes to specific individuals or groups. It also involves managing the process. This includes monitoring results, comparing to benchmarks and best practices, evaluating the efficacy and efficiency of the process, controlling for variances, and making adjustments to the process as necessary. Procurement performance is an on-going, never-ending, integrated process requiring continuous reassessment and reformation (Olson *et al*. 2005).

Most researchers assert that buyer supplier relationships that are characterized by interdependence can be deficient because the dominant partner experiences high power and might be attempted to exploit it (Ireland & Webb, 2007), and in this respect power imbalances within a buyer-supplier relationship can lead to unhealthy partnerships. In the long run the position of the weaker party will be eroded and the partnership will be destroyed thus having a negative bearing on procurement performance in many public and private organizations (Saunders, 2007).

To boost procurement function through supplier evaluation, Gonzalez and Quesada (2004) found that supplier evaluation was the most influential supply management process for achieving product and service quality in developed countries. However, a firm's ability to create or enhance its own capability in a strategically important domain such as quality by leveraging supplier capabilities in quality may depend not only on its ability to select a capable supplier in the quality domain but also on its ability to successfully integrate the supplier into the firm's operations and network. Successful supplier selection is a source for competitive

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advantage; they affect competitive performance of public institutions positively if effectively selected (Gonzalez & Quesada, 2004).

Omwoha (2015) insisted that effective public procurement is significant in countries and regions where it is largely implemented because it ensures resources sustainability to cater for future generations, transforms the market to be more innovative to produce green products, cost saving during procurement and disposal of goods and services. In addition governments through their large purchasing power have used effective supplier evaluation tools to enhance procurement performance function yet some county governments are reported to only have this concept on paper.

Kenya private health sector is one of the most developed and dynamic in Sub Saharan African. In the health sector where the leading causes of death are HIV/AIDS, acute respiratory infection (ARI), diarrheal diseases, and malaria (World Health Organization, 2004) the private commercial (for profit) sector and the not-for-profit sector play critical roles in preventing and treating disease. Even among the poor, the private sector is an important source of care. For example, 47percent of the poorest quintile of Kenyans uses a private facility when a child is sick (Marek, Ngatara & Ayuma, 2016). In recognition of this role, the government of Kenya has developed strategic to develop the private health sector in its Vision 2030 plan as well as in the strategic plans include social health insurance to increase access to health care, a reduced role for the Ministry of medical services (MOMS) and ministry of public health and sanitation (MOPHS). (These two ministries are the component branches of the recently divided ministry of Health.) some of the key features of those plans include social health insurance to increase access to health care, a reduced role for the ministry of Health in service delivery, more delegation of authority to provincial and district level, and promoting more public and private partnerships (PPPs).

The private health sector plays a greater role in healthcare provision and identifying ways to improve its procurement functions can help increase equity, access and efficiency in the health system. Over the last 20 years, the private health sector in Kenya has grown significantly. Any meaningful strategy to improve health sector in Kenya must look beyond the public sector and consider the potential of the not for profit (commercial) health sector. The current government of Kenya (GOK) understands this, and the private sector is very much a part of their Vision 2030 plan for growth in all areas, including health. The government's development partners both bilateral and multilateral are also becoming aware of how large a role commercial health providers play in the health system. As a result, there is an important need to understand the characteristics of the private health sector as well as to identify appropriate and effective ways to improve efficiency in the private commercial health sector.

Statement of the Problem

Suppliers are important stakeholders whose operations can impact the overall performance of a given procurement function. The choice of an organization's supplier should be guided by an elaborate evaluation of the potential suppliers since the suppliers can impact the performance of any procurement function or process. Delayed deliveries, poor quality products or services, non-completion of orders and even threats of litigation due to delayed payments is a common scenario experienced by both public and Private Hospitals.

Report by PPOA in 2015, indicates that up to 30% of procurement inefficiencies in the public sector in Kenya are attributed to supplier's performance issues. There is therefore concern as to what can be done to reduce supplier related procurement issues. One of the ways through which organizations strive to reduce supplier related inefficiencies is through evaluation of suppliers. In ideal situations, supplier evaluation is expected to positively influence procurement performance. However, it is puzzling to note that the relation has

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not been the case as studies reveal mixed findings with some indicating significant positive relationship while other indicate insignificant relationship, the question arises as to what criteria the Private Hospitals in Kakamega County should use in selecting their suppliers for better procurement performance. Supplier evaluation is arguably one of the popularly used approaches of ensuring the right suppliers are awarded contracts. Most of the researchers have only paid much attention on public institutions like hospitals and universities, leaving the private sector un-touched; this gives rise to a researchable gap where this study sought the effect of Supplier's Quality Commitment on Procurement Performance in Private Hospitals in the County of Kakamega.

Study objective

The objective of this study was to evaluate the effect of supplier's quality commitment on procurement performance in Private Hospitals in Kakamega County. The study was guided by the following research hypothesis;

- **H_{01}:** Supplier's quality commitment has no significant influence on procurement performance of Private Hospitals in Kakamega County.

LITERATURE REVIEW

Theoretical Review

Grey systems theory

According to Grey System Theory, in a practical business environment, in most instances, supplier selection takes place in an environment with less than perfect information. As such, there is some level of uncertainty in the decisions related to supplier selection. In such an environment, it is important to develop certain indicators or criteria; qualitative or quantitative that the supplier can be subjected to before selection. From this theory, the grey correlation analysis model with seven progressive steps was developed (Zou, 2008). These steps include; grey generation aimed at gathering information on grey aspects, grey modeling done to establish a set of grey variation equations and grey differential equations, grey prediction aimed at achieving a qualitative prediction, grey decision, grey relational analysis and grey control (Tsai, 2003).

The theory of Grey System considers the following factors in deciding on the best supplier; Existence of key factors important to the buyer, the numbers of factors are limited and countable and can be directly attributed to potential suppliers, in dependability of factors and factor expandability. The theory applies the principle of series comparability to generate a grey relation. An evaluation matrix may be developed to facilitate this process. The best supplier is selected by choosing a goal and weighting the values of all evaluation factors based on the characteristics of materials to be sourced based on demand patterns (Zou, 2008). In a supplier selection environment, this theory can be applied evaluation of critical performance areas by the procuring entities.

The Lean Supplier Competence Model

The lean supplier competence model was developed by Marks (2007). Through the model, a gap analysis can be charted and an action plan drawn to bridge the disparity in the organization. The model evaluates the suppliers against the five categories which supports the Lean techniques of Kaizen –continuous improvement. The supplier competency model explains how organizations interact in the five areas of competency where there are varying degrees of performances ultimately to achieve lean organizational operation. Each category is broken down into "specific behaviors" or ways the company and the supplier interact with each other. These behaviors are rated from a "1'' as "less lean" to a rating of a "5" as "more lean." This measurement allows a company to determine placement of business based on common values and common strategic goals. Using the model, as the business philosophies of the company and the supply base draw together to eliminate waste, the natural result is a reduction of cost to the supply chain and to the ultimate customer.

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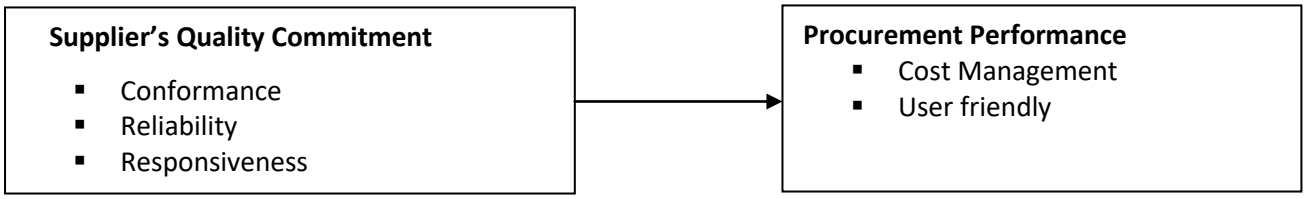
Cox Theory

Cox Theory Tran & Lau, (2013) argues that firms are increasingly entering into long-term, high dependency exchanges as a result of; increased demand for quality goods, demand for variability of goods, demand for constant innovation, severe price competition and increasing technology costs. Matevz and Maja (2013) established that these changes are forcing firms to enter into complex relationships are; relational contracting, network organizations, strategic alliances and horizontal co-operation. Morrison and Wilhelm (2015) established that the increase in number and complexity of these exchanges in an environment is characterized by uncertainty that has led to the increased interest in the use of obligation contracting.

Conceptual Framework



Independent Variable **Dependent Variable**

Figure 1: Conceptual Framework

Review of the Variable;

Service Quality Commitment

The concepts of SQM can be viewed as an integration of strategic practices, and such practices need to stretch across inter-organization boundaries to satisfy both existing and new customers (Harland,1999). Accordingly, Yeung and Lo (2002) view SQM in terms of the managerial efforts necessary for creating an operating environment in which a manufacturer can integrate its supplier capabilities into its operational processes, these managerial efforts can be clustered into several components, namely management responsibility, supplier selection, supplier development, supplier integration, quality measurement and conducting supplier audits. Fernandez (1995) state that supplier selection, supplier development and supplier integration can be regarded as forming an SQM system, with management responsibility seen as the driver of the being able to map current capacity in the supply base against a company's mid-term demand forecast, procurement and material planning can spot potential upcoming constraints at an earlier stage. This allows them t to make more conscious and timely decisions for constraint resolution e.g. where and how to best invest in additional capacity, opportunities to bridge shortfalls with short term actions or how best to allocate existing capacities.

Vaidya and Callender (2012) conducted a study on the critical factors that influence successful procurement performance in the public sector and identified end user uptake and training, supplier system integration, security and authentication, reengineering process, performance measurement, top management performance, change management program and supplier quality commitment as the critical factors that determine the success of the procurement function. Alan (2010) also investigated and explored through a case study the extent of business adoption of e-procurement as a major determinant of the procurement function. The research provided empirical evidence of the drivers and challenges encountered in the implementation of e-procurement and found out that the growth in use of ecommerce in business-to-business markets has shown a significant adoption of new supply chain-

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related technology but suppliers' quality commitment could not be easily detected by the electronic procurement system which could affect the procurement function.

Procurement Performance

A study by Kirande and Rotich (2014) on the determinants of public procurement performance in Kenyan Universities established that the main concern of procurement function is to make sure that one buys from the best suppliers and also improve the current suppliers. The organizations therefore choose suppliers with who have the capacity to deliver. The study further observed that supplier evaluation can work as a tool to influence future behavior of both buyer and supplier organization. By connecting procurement targets to certain supplier competence, organizations achieve higher supplier performance thereby leading to improved procurement performance. On the other hand Nzau (2014) in his study on factors affecting procurement performance of public Universities in Nairobi County found out that selection of suppliers is done based on certain set criteria and the needs of the procuring entity. He points out that among the factors which affects the procurement performance incudes timely preparation of procurement plan, strategic supplier selection plus buyer supplier relationships among other factors.

Further study indicates that, after the prequalification of suppliers based on supplier competence, public institutions expect a lot from their suppliers because they are confident that they have filtered their suppliers on very efficient basis but still they are uncertain about the quality of the items to be delivered, on time delivery, commitment to quality, technology leverage, and overall performance of suppliers (Masceko, 2013). These findings concur with findings of CIPS (2013) in their report on monitoring the performance of suppliers pointed that strategic monitoring of competence of suppliers is critical in management of performance operations and most importantly, management of supplier-buyer relationship. It is important that any procurement and supplies professional have the required skills in supplier relationship competence determination so as to be in a position to develop appropriate performance criteria both for suppliers and the entire procurement function. The report further indicates that performance management criteria should be well communicated to all stakeholders who are directly involved in procurement operations so as to enhance their contribution towards achievement of the desired standards.

METHODOLOGY

The study applied Cross Sectional Survey Research Design due its characteristics of taking circumstances the way it is without alteration. The study focused to draw data of procurement officers from 75 private hospitals in Kakamega County. According to (Drost 2011), sample frame consists of a group of the population where the sample is drawn. The group that makes up sample frame have characteristics that represent the entire population. In this study, the study focused on private hospitals and concentrated on the procurement officers. Simple sampling was applied and census technique used since the population was manageable.

This study employed a structured questionnaire as an instrument for data collection. The questionnaire was ideal for this study because it is suitable for good coverage and more so, quicker, confidential to respondents and less cost associated to it. According to (Cooper, Schindler et al. 2006), pilot test should consist of 10% of the entire sample size. This ensures that the data collection exercise run without hitch. Pilot test also makes sure that the questionnaire used to administer to the correspondents captures all the required data. In this study, pilot test was conducted in Vihiga County; Kenya.

The collected data was processed and analysed using statistical package for social sciences (SPSS). The findings of the study were presented using charts and tables. Descriptive statistics was used to summarize data to enable meaningful

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interpretation and description. Descriptive statistical analysis limits generalization to the particular group of individuals observed. The descriptive analysis was used in this study are: percentages, frequency, means, overall mean and standard deviation.

In addition, inferential analyses including Pearson correlation and multiple linear regression analysis were used. Inferential statistics was used in the study to enable the researcher to reach conclusions about the relationship between the variables. Drawing conclusions about populations based on observations of samples is the purpose of inferential analysis. The results from inferential statistics were used to test null hypotheses at significance level of 0.05(95.0% confidence level) with aid of SPSS version 21. This study employed multiple regression analysis to examine concurrent influence of financial control practices on prudent financial management of public secondary schools in Elgeyo Marakwet County. The multiple regression equation in this study is as follow:

$$\mathbf{Y= \beta_0 + \beta_1 X_1 + \varepsilon}$$

Where:-

Y = Procurement Performance
β0= Constant,
B_1 = Regression Coefficients
X_1= Supplier's Quality Commitment
ε =Error Term

FINDINGS AND DISCUSSION

Response Rate

From 75 questionnaires that were dispatched for data collection, 71 questionnaires were returned completely filled, representing a response rate of 94.7% which is very good for generalizability of the research findings to a wider population.

Descriptive Statistics of Variables in the Study;

Supplier's Quality Commitment and Procurement Performance

Most respondents agreed (59.2%) that quality conformance improves our service cost indicating supply of quality products/service minimizes waste thus decrease in re-advertisement costs. This was reinforced by 66.2 of respondents who agreed that supplier's reliability help us reduce on unnecessary costs like stock-out costs. This is supported by Marks, (2007) lean supplier competence model that reinforces that as the business philosophies of the company and the supply base draw together to eliminate waste, the natural result is a reduction of cost to the supply chain and to the ultimate customer.

In terms of customer satisfaction 63.4% of respondents agreed that quality conformance improves customer satisfaction while a further 67.6% agreed and strongly agreed (7.0%) that reliability improves our customer satisfaction. This implies that product and service quality compliance boosts customer satisfaction of procured goods and services by the health institutions. This is further affirmed by 64.8% of respondents who agreed and strongly agreed (9.9) that reliability improves service quality. This is supported by Fernandez, (1995) state that supplier selection, supplier development and supplier integration can be regarded as forming an SQM system, with management responsibility seen as the driver of the system that ensures supplier reliability.

In terms of supplier responsiveness as a measure of supplier quality commitment, 60.5% and 12.7% of respondents agreed and strongly agreed respectively that responsiveness leads to customer satisfaction since the customers can build trust. To reinforce, this assertion, 61.9% and 9.9% agreed and strongly agreed respectively that responsiveness has greater influence on product/service cost, while 69.0% also agreed that responsiveness improves quality, which then boost procurement performance function. This is supported by Yeung and Lo,(2002) who viewed SQM in terms of the managerial efforts necessary for creating an operating environment in which a manufacturer can integrate its supplier capabilities into its operational processes and management responsibility to ensure supplier responsiveness.

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Inferential statistics

Table 1: Correlation

		Suppliers Quality Commitment	Procurement Performance
Suppliers Quality Commitment	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	71	
Procurement Performance	Pearson Correlation	.622**	1
	Sig. (2-tailed)	.000	
	N	71	71

Linear influence of supplier quality statement on procurement performance

This tested the direct influence of supplier quality commitment on procurement function of Private Hospitals in Kakamega County.

Table 2 : Linear influence of supplier quality commitment on procurement performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.622[a]	.387	.378	.49619	.387	43.628	1	69	.000

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	10.741	1	10.741	43.628	.000[a]
	Residual	16.988	69	.246		
	Total	27.729	70			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	2.786	.283		9.854	.000
	Suppliers Quality Commitment	.501	.076	.622	6.605	.000

a. Dependent Variable: Procurement Performance

From table 2, the model summary shows that R^2 = 0.387; implying that 38.7% variations in the performance of the procurement function in Private Hospitals in Kakamega County is explained by supplier quality commitment while other factors not in the study model accounts for 61.3% of variation in performance of the procurement function in Private Hospitals in Kakamega County.

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Further, coefficient analysis shows that supplier quality commitment has positive significant influence on performance of procurement function in Private Hospitals in Kakamega County (β = 0.501 (0.076); *at p<.01*). This implies that a single improvement in supplier's quality commitments will lead to 0.501unit increase in the performance of the procurement function in Private Hospitals in Kakamega County. Therefore, the linear regression equation is;

(i) $y = 2.786 + 0.501X_1$

Where;

y = performance of procurement function in Private Hospitals in Kakamega County.

X = Supplier's Quality Commitment

Hypothesis testing

First, study hypothesis one (H_{01}) stated that suppliers' quality commitment has no significant influence on procurement performance of Private Hospitals in Kakamega County. Linear regression results indicate that supplier's quality commitment has significant influence on procurement performance of Private Hospitals in Kakamega County (β = 0.501(0.076) at *p<0.01*). Hypothesis one is therefore rejected. The results indicate that a single improvement in supplier's quality commitment will lead to 0.501-unit improvement in procurement performance of Private Hospitals in Kakamega County.

The results are supported by Forker (1999) who found that the impact of supplier quality on an organizational performance is large and direct, and the general understanding is that a firm's quality performance (output) can only be as good as the quality performance of its suppliers (input). An increasing tendency towards supplier development by organizations as supplier quality integration is found to be critical dimension of quality excellence.

Shin (2000) also asserted that supplier quality management can enhance organizational performance across the supply chain by minimizing operational costs, shortening process cycle, refining quality performance and enhancing customer satisfaction.

CONCLUSIONS AND RECOMMENDATIONS

Study hypothesis **H_{01}** stated that supplier's quality commitment has no significant influence on procurement performance of Private Hospitals in Kakamega County. Linear regression results indicated that supplier's quality commitment has significant influence on procurement performance of Private Hospitals in Kakamega County. The results are supported by Forker (1999) who found that the impact of supplier quality on an organizational performance is large and direct, and the general understanding is that a firm's quality performance (output) can only be as good as the quality performance of its suppliers (input). An increasing tendency towards supplier development by organizations as supplier quality integration is found to be critical dimension of quality excellence.

The study concluded that supplier quality commitment is a mandatory requirement for boosting the procurement function; hence the procurement performance.

The study recommended that the procurement office should consider supplier's quality commitment to ensure that procured goods/services meet customer needs and standards.

Areas for further studies

Similar study can be done but incorporate electronic procurement to assess its influence on procurement performance function.

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