THE EFFECT OF E-BUSINESS ON THE PERFORMANCE OF THE PROCUREMENT PROCESS.

A CASE STUDY ON SAFARICOM COMPANY

MOI AVENUE BRANCH.

BY

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BSP/10046/81/DF

A RESEARCH REPORT SUBMITTED TO THE SCHOOL OF BUSINESS AND MANAGEMENT IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF A BACHELORS DEGREE IN PROCUREMENT AND SUPPLIES OF KAMPALA INTERNATIONAL UNIVERSITY.

MAY, 2011.

DECLARATION

I do hereby declare that the work contained in this report is original and has never been submitted to any university for institution for any award.

Signature

....

DOREEN MUTHEU.

Date

24ᵀᴴ / MAY 2011

APPROVAL

This is to certify that this work has been under my supervision and is ready for submission to the research committee of Kampala International University with my approval.

Signed

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MR. HENRY BARAZA.

Date

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DEDICATION

This report is solely dedicated to my family for their moral and financial support in my education. I also wish to Safaricom staff from Moi Avenue Branch for all their assistance and guidance through this report.

ACKONOWLEDGEMENT

My gratitude goes to the KIU teaching staff, especially those from the school of Business and management for all their help and guidance in educating me to become a strong and educated individual who is able to become an independent proffesional in the business world.

In a special way, i would like to appreciate Mr. Henry Barasa for all his kindness, not only as my lecturer, but also for being my supervisor. He greatly helped me through his advice and reccomendations to make my field research what it is today.

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Lastly I am grateful to the almighty God for sound health, mind and unending blessings in my life without which, I would not have made it this far.

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ACRONYMS

M-pesa	- mode of Mobile money transfer.
E-business	- Electronic business.
E-procurement	-Electronic procurement.
E-commerce	-Electronic commerce.
JIT	-Just In Time.
GRN	-Goods Receipts Note.
SIB	-Stock Inward Book Entry.
E-corruption	- Electronic or online corruption.
Kipokezi service	-mobile service that allows user to access the Internet.
PO	-Purchasing Order.
NGO	-Non Govermental Organizations.
PPDA	-Public Procurement Disposal of Public Assets Act.

ABSTARCT

The study was carried out using Safaricom Company, Moi Avenue branch located in Nairobi Kenya. This research was intended to examine the impact of e-business in the procurement process in organizations. Data used was collected from Safaricom suppliers, its customers and the purchasing department. Questionnaires and interviews guides were used as tools to gather this data from 40 respondents. The data was analyzed both quantitatively and qualitatively. Both male and female respondents were selected and considered equally for the study.

The study findings revealed that electronic business in the purchasing department made the entire process simplified therefore creating more clarity and accountability in the work process. E-business greatly helped prevent stock-outs and cuts on lead times. This therefore helped create more efficiency in the business practice.

E-business has also greatly helped the organization acquire a larger market through the additional services offered. These services include, though not limited to, M-pesa, access to one's account through the phone, paying bills through mobile and advance credit for airtime.

Therefore, e-business came highly recommended for the smoother functioning in an organization. It was noted however, that for this technology to function properly, suppliers and associates also had to incorporate electronic business into their organization.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents the background to the study, statement of the problem, objectives of the study, research questions, scope of the study, significance of the study and conceptual framework as follows:

1.1 Background Of The Study

This study talked about the effects of e-business to the procurement process using a case study of Safaricom Kenya in Nairobi, Moi Avenue branch. It was an attempt by the researcher to examine services afforded by e-business and their effects towards the performance on the supply chain in the procurement process.

The term E-business refers to the use of internet technologies to inter network and empower business processes, electronic commerce and collaboration within a company and with its customers, suppliers and other business stakeholders. In other words, it is the use of internet and other digital technology for organizational communication and coordination and the management of the firm.

According to E-commerce innovation center at Cadif University, E-commerce is defined as the enablement of business vision supported by advanced information technology to improve efficiency within the trading process.

Though E-business is greatly known to fasten the business process, it is yet to be fully established in East Africa. Very few organizations conduct their business using electronic commerce. Most parastatals and government run organizations still use archaic means in their procurement practices. The Ugandan government however, in mid February 2011, made law the use of E-business within parastatals in the procurement practice. Safaricom is still one of the few organizations that fully incorporate e-business in their daily processes. This thereby shows the much needed growth and establishment of e-business in many organizations within East Africa for faster and vast growth.

Safaricom Moi Avenue branch is a branch of Safaricom Kenya. Safaricom is one of the leading telecommunications company within Kenya. Like most telecommunication organizations within Kenya it offers a portal through which persons can communicate via mobile phone. It also deals in the retail business of selling mobile phone and laptops. It has gone into partnerships with many mobile phone manufacturers such as Nokia and Samsung to ensure they provide tip top quality products that meet their consumer needs and wants.

Safaricom also offers its consumers services such as electronic money commonly known as M-pesa. It has gone further to partner with banks ensuring consumers can access their bank accounts through their mobile phones. Furthermore, Safaricom has incorporated internet services into their organization ensuring consumers can easily roam the internet via phone.

Through such services, Safaricom has established itself as one of the leading telecommunications company in Kenya and East Africa.

Due to all these services offered, procurement practices become large and at times, it becomes difficult for the employees to keep track of the entire supply chain. Therefore, in cooperation of electronic business and commerce is proving to be of great help in keeping track of all purchases made and distribution criteria used.

Due to the above reasons, the researcher was forced to carry out a research on how E-business is in cooperated in the supply chain and how beneficial it is the entire process.

1.2 Statement Of The Problem

In the above account, it has been shown for a large supply chain to perform effectively; there is need for E-business in the already established procurement practices.

Organizations, both large and small, usually have inefficient supply of goods and poor communication with suppliers' thus causing overall poor performance of the business due to inefficiency within the organization.

This therefore implies that the performance of most organizations is usually retarded and inefficient due to lack of proper communication with suppliers and poor inventory control within the organization. This usually occurs due to lack of sufficient information flow between different departments within and outside the organization. This would however not be the case if E-business and commerce were in cooperated within the organization.

1.3 Purpose Of The Study

The purpose of the study was to examine the effect of incorporating E-business to the procurement process.

1.4 Objectives Of The Study

The study was guided by the following objective;

    (i)   To examine the relationship between E-business and procurement.

    (ii)   To establish the effects of E-business on the performance of the Supply Chain.

    (iii)   To determine how E-procurement functions and how it affects the performance of an organization.

1.5 Research Question.

The study was guided by the following research questions;

    (i)   What is the relationship between E-business and the procurement process?

    (ii)   What are the effects of E-business on the performance of the supply chain?

    (iii)   How does E-procurement function and how does it affect the performance of an organization?

1.6 Scope of the study/ contextual scope

This study was limited to the effects and contribution of E-business to the performance of the supply chain in the procurement process. The researcher identified E-business processes conducted by Safaricom's purchasing department and how they affect the performance of the organization.

Geographical scope

It was earned out across Nairobi town and Moi Avenue in Nairobi district in Central Kenya. The case study was carried out using a case study of Safaricom branch in Moi Avenue. This particular area was chosen for this study because it had relevant information to the research and also because it was easily accessible to the researcher.

Time Scope

The researcher study looked at the past year 2010 and current year 2011. This particular time was chosen as it coincided with mass improvement of the organizations system and mass in cooperation of E-business in all departments within the organization. Therefore, the mentioned years could stand to outline the contribution and growth of E-business within the organization. This scope gave actual data required about the study problem.

1.7 Significance of the study

The results of this study benefited the following;

1. The Government and legal advisors. This research will greatly help in building policies that will act as a foundation for public procurement practices therefore creating more efficiency.
2. Business owner can learn a great deal on the importance of E-procurement and commerce ensuring their businesses is more efficient enabling them acquire a larger market share.
3. Future researchers. This study acts as an eye opener to future researchers making more analysis and criticizes the problems. The available data was of great importance to the academicians interested in the field of the study phenomena.

1.8 Conceptual framework

Independent variable   **Intervening variable**   **Dependent variable**

Marketing 'epartment. stomer care. s department. nan resource. lccounting epartment.	→	Code of ethics. Political influence. Social factors. Legislation.	→	Purchasing department. Procurement procedures. Startegies used.
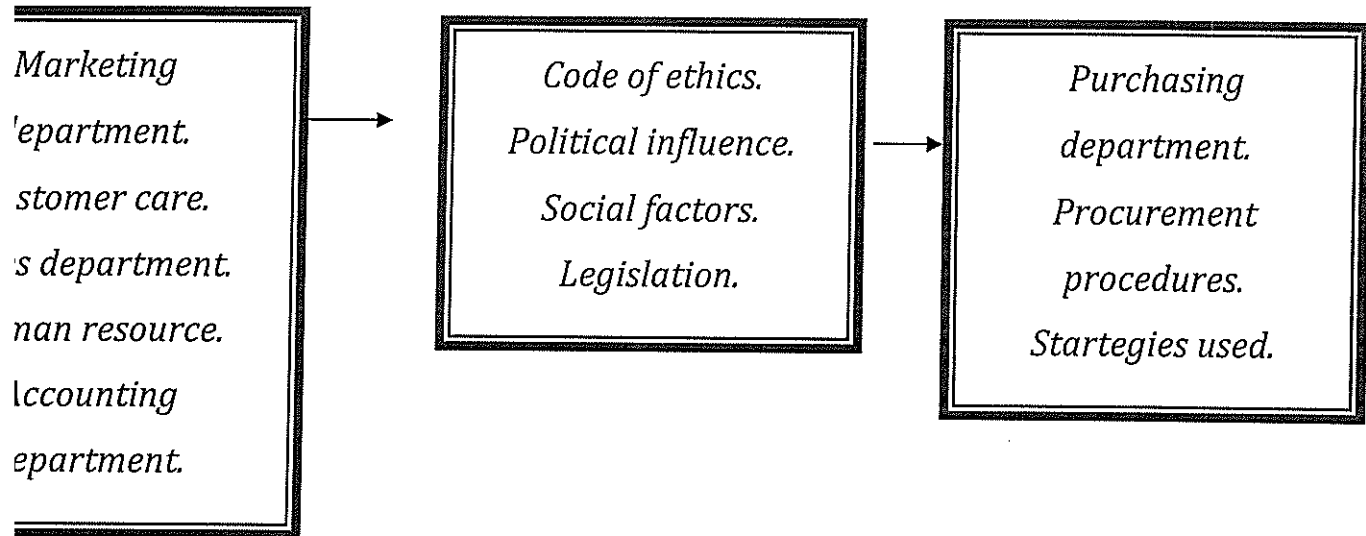
CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Introduction

In this chapter, the researcher gives a review of the literature regarding the topic of this study on the effects of E-business on the procurement process. It focused on the following themes.

2.1.0 Definition of E-procurement

E-procurement is the purchase and supply of goods to the end consumer through the use of technology and internet. E-procurement in today's society mainly deals with the handling of the entire supply chain.

According to James O'Brien, supply chain is defined as the flow of materials, information, money and services from raw material suppliers through factories and warehouses to the end consumers. This is the main function of the procurement department.

E-procurement therefore aims to ensure efficient supply of materials and services and the highest quality possible using minimal costs. This function is therefore critically important and essential for any company to be successful. For E-procurement to be successful, one must ensure that there is free, easy and fast flow of information within the supply chain.

2.2 Background of E-business in Safaricom

Safaricom Ltd is a leading mobile network operator in Kenya. It was formed in 1997 as a fully owned subsidiary of Telkom Kenya. In May 2000, Vodafone group Plc of the United Kingdom, the world's largest telecommunication company, acquired a 40% stake and management responsibility for the company.

As of January 17, 2011, Robert Collymore is the CEO; he succeeded Michael Joseph on November 1, 2010, after Joseph's ten years as Safaricom CEO.

Safaricom employs over 1500 people mainly stationed in Nairobi and other big cities like Mombasa, Kisumu, Nakuru and Eldoret in which it manages retail outlets. Currently, it has

nationwide dealerships to ensure customers across the country have access to its products and services.

As of January 2010, Safaricom boasts a subscriber base of approximately 12 million, most of who are in the major cities - Nairobi, Mombasa, Kisumu and Nakuru.

Its headquarters are located in Safaricom House, Waiyaki Way in Westlands, Nairobi. It has other offices in the city center in I&M building, Kenyatta Avenue, on Kimathi Street and at Shankardass House - next to Kenya Cinema Moi Avenue.

With a large consumer market and competition from other telecommunication companies, it has become vital for Safaricom to establish a strong and steady supply chain that is also efficient and fast. Due to these factors, the organization, in the reigns of Michael Joseph, established an electronic supply chain to assist them with their procurement process.

Safaricom established their E-supply chain in late 2009. For this to work, they also had to ensure that their consumers and suppliers used the same technology. This therefore allowed for faster and sufficient communication. Through this method, paper work was drastically reduced and liability made more transparent. Approval by different heads of department was and still is done electronically where one has a touch pad to place ones signature. Privacy is maintained by ensuring each individual has their own password to access their own files.

Tenders are also placed online for potential suppliers to access. If a purchase has been made and alterations are required, these specifications are spoken out electronically through mail which is faster therefore cutting on the amount of rejected goods.

E-procurement in Safaricom has placed this organization as the leading telecommunications company in Kenya with over 12 million consumers.

E-business has also made it easier for the organization to in cooperate innovative ideas to its consumers to satisfy their entire needs. Such strategies include:

Flashbacks.

Electronic cash service.

Kipokezi service.

Flashbacks

As a result of the limited income of most of Safaricom's customers, network congestion emerges from a practice called 'flashing'. Flashing is the practice of calling another mobile user, but disconnecting before the connected call is answered. It provides a method for mobile users to alert someone that they wish to be called, but either can't, or won't, pay for the call. The method is cost-free for the users; but costly in network bandwidth.

That is why Safaricom sometime ago introduced a flashback service that gave every subscriber 5 free SMS messages with a single pre-defined message stating "Please call me. Thank you". Although the messages can be annoying when sent just for fun they are very useful when one is in trouble and has no airtime. It also gives parents more of a reason to get mobile phone for their children without the real need for getting them airtime. Unfortunately, at this time, the flashbacks can only be sent to Safaricom subscribers due to some feuds with Airtel, Safaricom's main competitor.

Electronic cash service

Safaricom has developed and launched nationwide a mobile banking service called M-PESA, that allows Kenyans to transfer money via SMS. The service does not require users to have bank accounts, an important aspect in a country like Kenya, where many people do not have bank accounts. With M-PESA, the user can buy digital funds at any M-PESA agent and send that electric cash to any other mobile phone user in Kenya, who can then redeem it for conventional cash at any agent. This system is remotely comparable to Hawala banking or services like Western Union. An M-PESA enabled mobile phone can also function as an electronic wallet and can hold up to 70,000 Kenyan shilling. Safaricom stakeholder Vodafone, which partnered in the development of M-PESA, has announced that it intends to roll out M-PESA internationally as well.

Kipokezi Service

Safaricom launched the Kipokezi service in May 2010 that enabled its subscribers to send and receive email and online chat through standard mobile phones. Any phone with an SMS service can use Kipokezi.

Prior to the service fewer than one in ten Kenyans had accessed the Internet but the Kipokezi launch allowed more than a third of the population to exchange email and online chat messages. The Kipokezi is provided by ForgetMeNot Africa.

The service does not require users to have an Internet connection as it uses ForgetMeNot Africa's Handset Initiation technology.

2.3 Procurement and stores department in Safaricom

2.3.1 Purchasing office

The procurement and stores department is one of the busiest and critical departments within the organization. The key roles of this department are;

Purchasing required goods for different departments within the organization

Maintaining inventory levels of goods in stock

Issuing of tenders

Selection of suppliers

Bargaining on cost of goods

Issuing purchase orders

Maintain a good relationship with suppliers

Ensuring highest quality of goods at lowest price possible

The department mainly works as a team whereby the stores personnel, the purchase officers, the manager and suppliers all work hand in hand to ensure quick and efficient delivery of goods and suppliers.

The department has adopted a CARE system which is a software aimed at making the procurement procedure simpler and more efficient.

The CARE system has a record of all approved supplier and acts as a back-up to paper work of requisition forms, purchasing orders and invoices received. By using the CARE, it becomes easier to track down documents therefore making work fast, effective and corrupt-free.

2.3.2 Procurement procedure

As earlier stated, the procurement department uses the care system. Therefore, when in need of a particular item, the purchasing officer goes through the pre-qualified suppliers.

Once two or three suppliers have been selected for comparison, they are asked to send in their quotations. Quotations usually contain the price and the list of the required commodities. This helps promote transparency. Safaricom usually receive their quotations electronically via e-mail.

Upon receiving the quotations, the procurement personnel try and negotiate discounts on the prices of the commodities with the suppliers. If all other specifications are met, the supplier asking for the least amount is selected. Once a supplier is selected, electronic documentation begins.

A requisition form is first created indicating the quantity and price of goods acquired. A purchase order is then created and attached to the requisition form after approval by the procurement officer. The form is then passed on for signing by the heads of departments; head of division, procurement manager, senior accountant, finance director and by the CEO. This is done to ensure the form is approved. The CARE software is created in a way that each phase is followed systematically and none can be skipped. Each head of department has their own secret password that they use in signing of the documents. Signing is done electronically through a touch pad that the personnel signs. Signatures are usually required to promote transparency and honesty within the organization.

Once a purchasing order is approved, a copy is e-mailed to the supplier and at times, they also pick up a documented copy. This is usually done as some suppliers have not yet gone electronic to create convenience.

On receiving the PO the supplier sends in their invoice and awaits payment. Suppliers usually give Safaricom an allowance of thirty days before awaiting payment.

On the agreed date of delivery, the user department of goods acquired (if not stock items) is usually present to certify that goods acquired meet specified standards of quality.

If the item required is not supplied by any of the pre-qualified suppliers, a tender is set and is usually gazette in the newspaper for the eligible members of the public to participate. The procedure is as stated below.

A tender is an invitation to treat or supply an organization with a specified item. A tender usually has a specification form attached to it. It contains all the specifications of the items required. It also has specifications on the type of supplier required. This may be in terms of geographical location of the supplier. This aims at reducing the bulk of bids received thus saving on time.

Once a tender is released to the public, receiving of bids begins immediately and a deadline is set for late bids to be received. This aims at giving the procurement department ample time to go through bids and select the most suitable supplier. On the day the bids are opened, selected personnel from other departments are present and are required to write down all specifications of each bid. This is done to ensure fairness and honesty is practiced at all levels.

After this process, the procurement committee goes through all bids brought in and selects the bid meeting all the specifications. Once the supplier is selected, the procurement personnel notify the selected supplier and tries negotiating on the price. A delivery date is set and electronic paperwork begins as in the case of regular purchases.

2.3.3 Stores department

The stores department is by far the busiest department within the organization and is responsible for safe keeping and proper storage of all equipment purchased by Safaricom. This department is mainly deals with the purchasing, storage and issuing of mobile phones, accessories and any other equipment the organization sells to the end consumer.

Goods maintained by the stores department are divided into different sections, namely;

Laptops

Modems

Mobile phone accessories

High purchase phones

Low stock phones

Each of the above categories has personnel supervising it, each personnel in charge ensures stock is stores in perfect condition, is easily available to consumers and ensures that stock never runs out. Stores personnel are also responsible for issuing goods within the sub stores in the office.

2.3.3.1 Working process
Before issuing of goods, an order is placed to the suppliers through the CARE software by the stores personnel. Price, after all other specifications are met, is usually the determining factor in supplier selection.

After an order is placed, the supplier brings in the goods to the main stores department where they are received by the stores officer who made the purchase. During this stage, goods brought in are cross-checked in accordance to order met. They must meet the quantity ordered and quality too. If any defect is found in any product, it is rejected and has to be replaced by the supplier. The stores personnel then sign a goods receipts note which certifies the date the goods have been received. This therefore helps back up claims if goods fail to function within the specified warranty period. If this happens, the supplier is obliged to replace or repair the damaged goods.

After clarification and approval by the stores person, the goods are moved to the main store where they are shelved in accordance to their specified categories and in alphabetical order.

One needs to note however, that expensive machinery and goods are usually locked upon a safe place and picked out upon order to avoid theft and high losses to the organization.

2.3.3.2 Issuing of goods
Goods are issued upon order. This is done through the CARE system by the different sub stores within the office. Once the main store receives the order, they check within the system to ensure the good required is in stock. If the good is not in stock, it cannot be issued therefore the store in need has to borrow from another sub store as the main store waits restocking.

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However, if the goods are available, a material issue report is created both manually and electronically to ensure the system captures the proper quantity of stock. It also acts as proof of issue as the person receiving the goods is to sign the form and carry a personal copy of the report leaving one for the stores department. This document therefore acts as a way of checking stock.

2.3.3.3 GRN

This is the mode through which goods are stocked and recognized within the system. GRN in full means Goods Receipts Note. GRN is usually created with reference to the delivery note issued by the supplier. The first phase of GRN is going through SIB (stock inward book entry) then moving on to the GRN. This system is set generally to avoid time wastage by going to check the actual stock. This is very vital to ensure the organization's competency and customer service.

Through close scrutiny of the stores, it is easy for one to realize that the warehouse should be kept neat, clean and organization. This not only saves on time, but it ensures that the goods are in good condition reducing the risk of getting damaged. It also becomes easier to keep records ensuring cases of theft are kept to a minimal.

A neat warehouse allows one to identify products highly demanded and therefore ensures sufficient stock to meet consumer needs.

2.4 Challenges faced by Safaricom in administering services

In administering the use of E-business into the supply chain, Safaricom has faced several challenges that at times, hinder the smooth functioning of the organization. The challenges faced are detailed as follows.

Lack of equivalent technology by suppliers

Though Safaricom has adopted the CARE system and electronic business, some of its suppliers are yet to upgrade to electronic business. This therefore forces the organization to use paper work which makes it more difficult for the system to function as expected.

High maintain ace costs

Technology is always changing with time and at times is very faulty. Therefore, Safaricom requires an experienced IT department to help in maintaining the system and ensuring it works as planned. This therefore becomes very costly for the organization to have a back up team in each branch.

Lack of technical know-how by employees

Though the technology is available within the different branches, most employees lack the knowledge required to fully operate the system. This therefore makes it difficult for the system to function to its highest potential as it is not fully utilized.

Poor business managerial skills

Though the CARE system provides efficiency and speed in approval of bids, it promotes poor managerial skills within the company. As most business practices can be done online, most managers cut on working hours within the work place and opt to work from other areas. This becomes hazardous as the employees lack supervision which, in turn, causes sluggishness within the office. This therefore makes business slow and less productive.

Corruption

A study conducted by Harvard University in 2006 revealed that E-business helped promote transparency and effectively cut on corruption. As time progressed, it is becoming more difficult to erase corruption through technology.

Safaricom has experienced E-corruption through personnel who manage to hack passwords and approve bids. At other times, they alter the prices of goods to ensure a hefty profit on their end after a document is approved.

Faulty internet coverage

For the system to function properly, it is vital for internet to be available especially in the procurement department where they need to communicate with the supplier and consumer departments. It is however difficult to find a fast and sufficient internet provider that does not break down easily. It is thus critical for an organization to find steady internet that is effective thus saving on time and money

2.4.1 Framework of E-procurement

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                    ┌─────────────────────────┐
                    │   Supplier selection.   │
                    └────────────┬────────────┘
                                 ▼
      ┌────────────────────────────────────────────────────┐
      │  Negotiations and agreements on price and quality   │
      │                    of goods.                         │
      └────────────────────────┬───────────────────────────┘
                               │
                               ▼
┌──────────────────────────────────────────────────────────────────┐
│  Creating requisition form and electronic approval by different   │
│                   heads of departments.                           │
└──────────────────────────────┬───────────────────────────────────┘
                               ▼
              ┌──────────────────────────────────┐
              │  Creation of the purchasing order. │
              └────────────────┬─────────────────┘
                               ▼
        ┌──────────────────────────────────────────────┐
        │  Signing of a contract by the supplier and    │
        │                   buyer.                       │
        └────────────────────┬─────────────────────────┘
                             ▼
                ┌─────────────────────────┐
                │    Delivery of goods.    │
                └────────────┬────────────┘
                             ▼
          ┌────────────────────────────────────────┐
          │  Approval of purchase by internal       │
          │              consumer.                   │
          └───────────────────┬────────────────────┘
                              ▼
              ┌─────────────────────────────────┐
              │  Payment made to the supplier.   │
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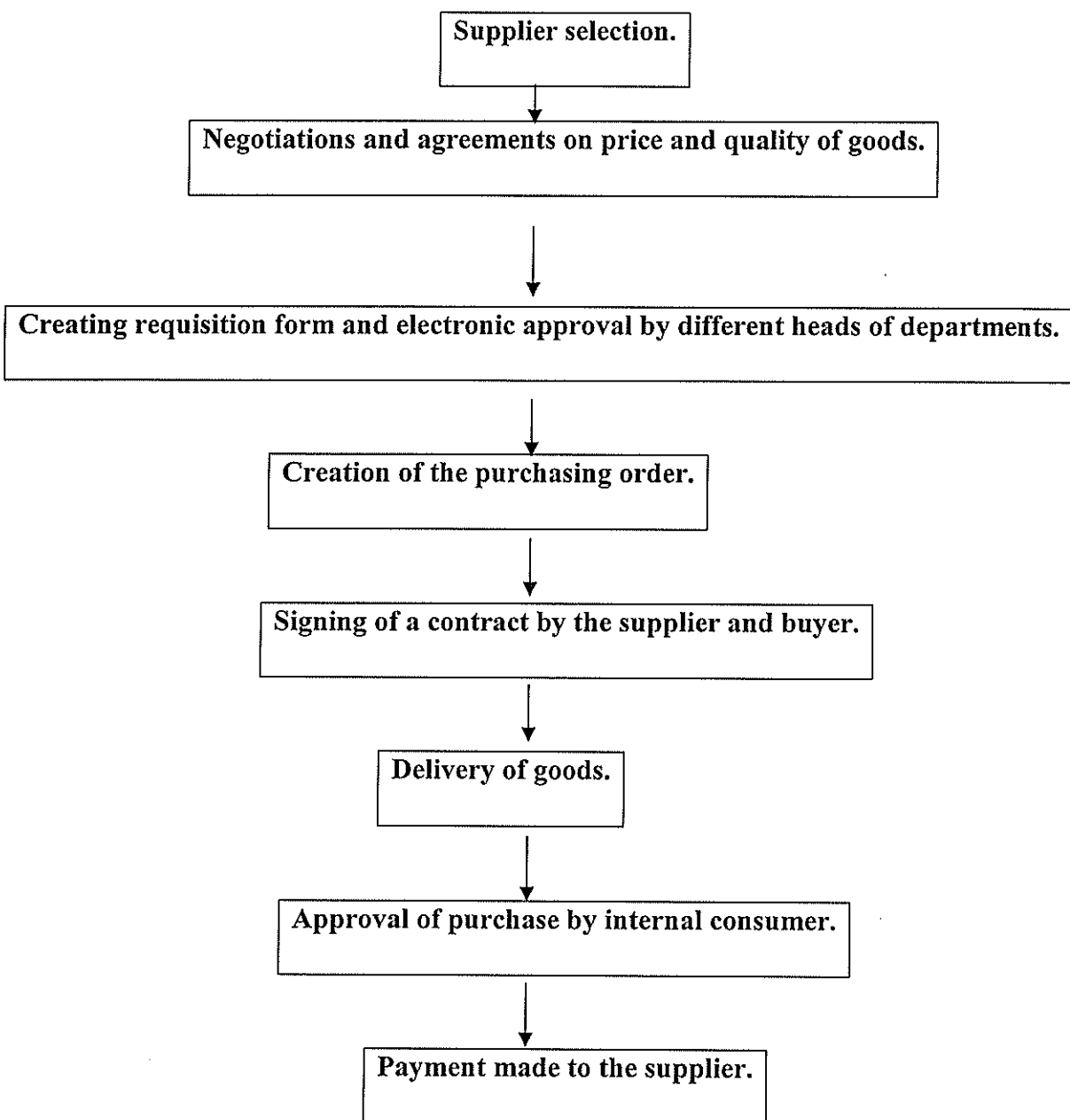
CHAPTER THREE

RESEARCH METHOLOGY

3.1 Introduction

This chapter presents and describes the research methodology that was used in the research study to collect and analyze the data. These include research design, area of study target population, sample research instruments, research procedure and analysis of data.

3.2 Research design

The study was qualitative in nature where research questions were used. It was also a survey because it was carried out in Moi Avenue. This helped the researcher to get crucial data about the study phenomenon.

3.3Area of study

The study was carried out in Safaricom Kenya, Moi Avenue branch. A few of the organizations suppliers were also considered for the study. These include Nokia office, MOI Avenue and Samsung distributors I&M building.

Target population

This study targeted a population of 60 respondents of which 40 respondents were used and considered and used for the study. These were of three categories; 3 Safaricom suppliers, 10 members of the procurement department and 27 internal consumers of Safaricom as illustrated in the table 1 below. Gender balance was considered in the study.

TABLE 1: Showing summary of respondents

Respondents category	frequency	percentage
Safaricom suppliers	3	25
Procurement department	10	60
Safaricom's internal customers	27	15
Total	40	100

3.4 Population sample

The simple random sampling techniques were used to obtain the respondents. In the study, three main suppliers to Safaricom were used. These were Nokia, Samsung and LG. Safaricom's procurement department was also analyzed alongside the organization's internal consumers. The respondents were selected depending on knowledge, experience and opinions that supplemented on the secondary sources.

3.4 Research Instruments

The researcher used questionnaires and interviews to get the required data about the study phenomenon. A structured questionnaire was used to collect data from the Safaricom staff. Then an interview guide was used to get data from the suppliers and internal consumers. This was useful because it allowed the researcher to do probing to get more information about the study problem. Secondary sources namely; Safaricom brochures, text books and magazines were also used to address the objectives of the study well by collecting secondary data.

3.5 Data Analysis

The data was analyzed using tables, frequencies, percentages and use of descriptive statistics for easy presentation of the research findings.

CHAPTER FOUR

DATA PRESENTATION ANALYSIS AND INTERPRETATION.

4.1 Introduction.

This chapter analyzed the data collected and its presentation in relation to the studied subjects. The empirical findings of the study are presented, analyzed and interpreted. The collected data was organized from the responses to questionnaires administered to Safaricom and its suppliers.

4.2 Nature of respondents.

This section presents socio-economic demographic characteristic of respondents that include; occupation, age and sex.

Table 2: Frequency distribution of gender among the respondents.

Gender	Frequency	Percentage
Male	15	40
Female	25	60
Total	40	100

Source: Primary data

Out of 40 respondents, majorities were found to be female (60%) and males were 40% as shown in table 2 above.

Table 3: Respondents age brackets

Age range	Frequency	Percentage
18-27	12	30
28-37	18	45
38 and above	10	25
Total	40	100

Source: Primary data.

With regard to age, the majority of the respondents were in the age range 28-37(45%) with a slight difference to those in age range 18-27 (30%). Other supplier employees, employers and Safaricom staff were of age 38 years and above. Other characteristics were very important in the study as it gives a background where one can build in order to assess the study phenomena.

4.3 Research question one

The question required the researcher to examine the relationship between E-business and the procurement process.

Respondents to research question one were sought using items in the questionnaire administered to Safaricom staff and some of its suppliers as indicated in the appendix 1 number 4 and 5. These questions were addressed to a cross section of 40 respondents as shown in table 4.1 below.

Table 4: Suppliers that frequently use E-business in the procurement process.

Responses	Safaricom Branch		Safaricom suppliers	
	Frequency	Percentage	Frequency	Percentage
Yes	8	80	29	99
No	2	20	1	1
Total	10	100	30	100

Source: Primary data.

<u>Bar Graph 1: Organizations that frequently use E-business in the procurement process.</u>
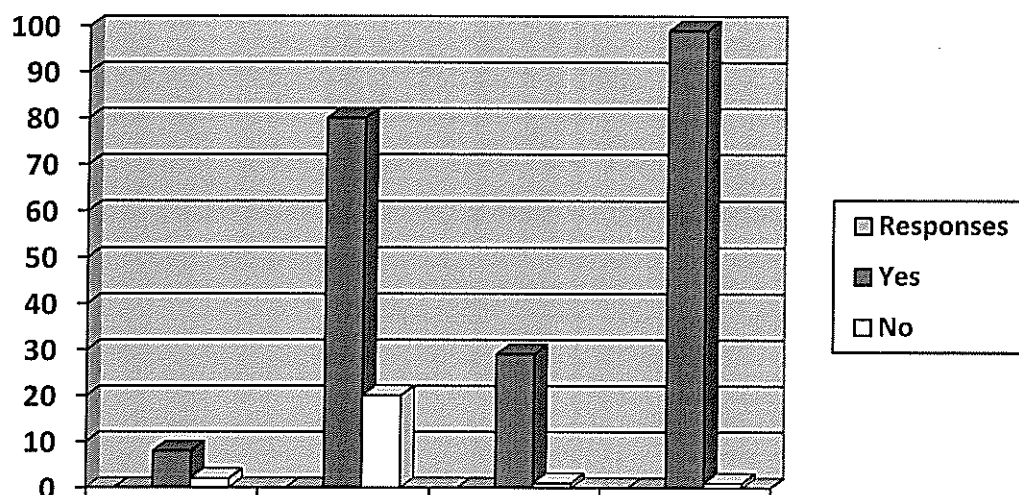
      Safaricom staff   **Safaricom suppliers**

From table 4 and the graphical representation above, 80% of Safaricom staff and 99% of its suppliers agreed that different organizations do incooperate E-business in the procurement process around Nairobi and other regions within Kenya. The rest of the respondents did not support the idea.

From the study, those respondents that agreed that use of E-business in procurement is common within Nairobi mentioned a few of the organizations as indicated in table 5 below.

Table 5: organizations using E-business in the procurement process within Nairobi

Respondents	Frequency	Percentage
Nokia	20	59
Nairobi hospital	5	12.5
Safaricom Kenya	15	22.5
Total	**40**	**100**

Source: Primary data

Table 5 shows that Nokia is the company that most frequently uses E-business within the procurement process. It is followed by Safaricom Kenya that has a 22.5% use on E-business. Lastly is Nairobi hospital that has 12.5% uses on E-business.

4.4 Research question two

The second question asked the effect of E-business on the performance of the supply chain.

The supply chain mainly refers to the entire procurement process and other key factors that help in making the purchasing function easier, simpler and faster. When analyzing the supply chain, it is critical for all parties to be analyzed in this context. Suppliers' production processes to packaging and delivery are closely evaluated. The procurement department's mode of selecting suppliers is also monitored keenly. Products ordered by internal consumers are evaluated to ensure quality and conduciveness to place of work. They must also be analyzed to ensure they are consumed in a proper manner and disposed off in a manner to ensure they do not harm the environment.

Question one in the first research question was aiming at finding out the relationship between E-business and the procurement process and its effect in achieving efficiency in the purchasing function.

Responses to this question were given as indicated in the table below.

Table 6: Whether the relationship between E-procurement and the procurement process achieves efficiency in the purchasing function.

responses	Safaricom staff		Safaricom's suppliers	
	frequency	Percentage	Frequency	percentage
Yes	5	50	20	67
No	5	50	10	37
Total	10	100	30	100

Source; Primary data.

From the field, 50% of Safaricom staff and 67% of its suppliers agreed that including E-business into the procurement process helps greatly in increasing efficiency in the entire

purchasing function. This is because most of these personalities used E-business in the work process and can attest to its efficiency.

By analyzing consumer response, one is able to answer research question two. The effect of E-business of the procurement process was therefore demonstrated in the responses below.

Table 7: whether E-business promotes efficiency in the supply chain.

Responses	Safaricom staff		Safaricom suppliers	
	Frequency	Percentage	Frequency	Percentage
Yes	10	100	25	83
No	0	00	5	17
Total	10	100	30	100

Source: primary data.

Bar graph 2: E-business promoting efficiency in the supply chain.

Safaricom staff   **Safaricom suppliers**
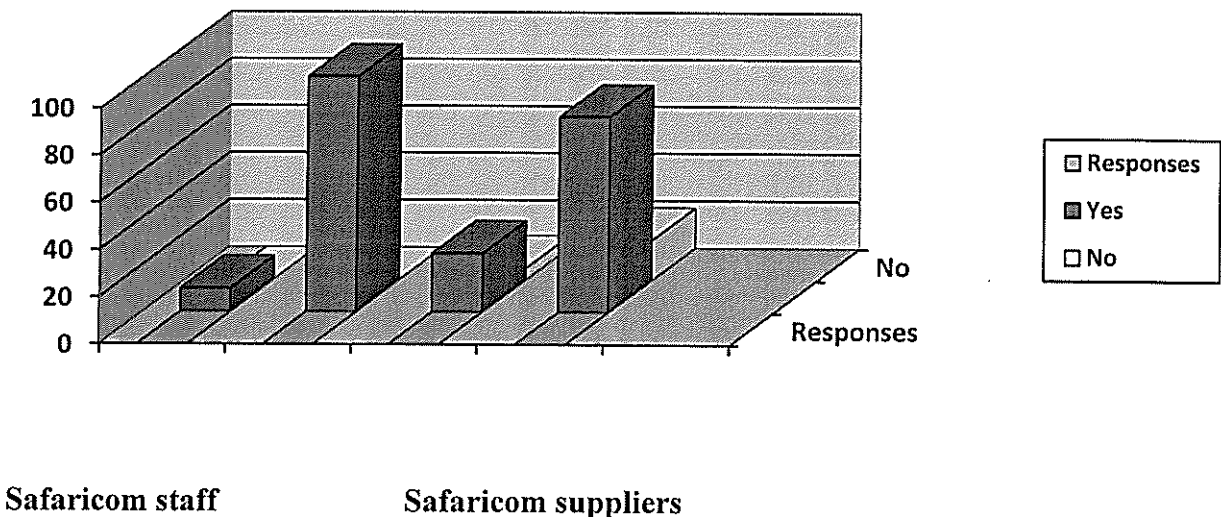
From the field study, 100% of Safaricom staff and 83% of its suppliers agreed that E-business promotes efficiency in the supply chain, 17% of Safaricom suppliers disagreed on the efficiency of E-business on the supply chain. This is mainly due to the fact that the minority

rarely in cooperated E-business into their work process. Most of them had no interest to expand and were fully content with their consumer scope and the processes used.

Most of them also lacked technical know- how and found it and extra burden and cost to hire personnel with the required skill.

4.5 Research question three

The third question asks how E-procurement functions and how it affects the performance of an organization.

E-procurement is an electronic acquisition of goods and services for organizations. It is also the use of web-based technology to support the key procurement a process including requisitioning, sourcing, contracting, ordering and payment-procurement is relatively easy to implement. Channel conflict usually does not occur and the resistance to change is minimal. Also, a wide selection of E-procurement software packages and other infrastructure are available at a reasonable cost.

Maintainance, repair and operation services are often the initial target for E-procurement. However, improvement can be done in purchasing of direct materials as well. All existing processes of requisition creation, request for quotation, and invitation to tender, purchase order issuance, receiving goods and making payments can be streamlined and automated. However, to most effectively implement such automated support, the people involved in procurement must collaborate with the suppliers along the supply chain.

Below is a diagram showing the procurement process through the buyer's view.

The procurement process

or vendors and products gues, brochures, ions, exhibits, telephone l visits.		**Compare and negotiate** Price, finanicng, delivery and quality.

↓

Make a purchase

(Individual or committee)

Have a contract.

↓

Quality vendors endors can we do business firms, financial stability it history.

↓

Initiate a purchase order

Electronic form or trigger ready order.

↓

Arrange pick up or receive shipment

Check shipping documents, billing and quality.

narket mechanism he type of tendering private, public, auction and .

Make payments

Approve payment.

Make money transfer.

The benefits of the E-procurement process are evident by analyzing the goals of the procurement process. They are as follows:

a) Increasing the productivity of purchasing agents providing them with more time and reducing job pressure.

b) Lowering purchase prices through product standardization and consolidation of purchases.

c) Improving information flow and management.

d) Minimizing the purchases made from non contract vendors to eliminate maverick buying.

e) Improving the payment process.

f) Establishing efficient, collaborative supplier relations.

g) Ensuring delivery on time, every time.

h) Reducing the number of suppliers.

i) Reducing the skill requirements and training needs of purchasing agents.

j) Streamlining the purchasing process, making it simple and fast. Sometimes it involves authorizing requisiteness to perform purchases from their desktops by passing the procurement department.

k) Reducing the administrative processing cost per day by as much as 90 percent.

l) Finding new suppliers and vendors that can provide goods and services faster and cheaper through improved sourcing.

m) Integrating the procurement process with budgetary control in an efficient and effective way.

n) Minimizing human errors in the buying or shipping process.

o) Monitoring and regulating buying behavior.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses and concludes the findings of the study. An attempt is further made to highlight recommendations which the researcher deemed beneficial to the government; NGO's and small scale businesses in all parts of the country that use procurement processes in purchasing their goods. These recommendations were made in relation to the study revealed about the benefits of E-business in the procurement process.

5.2 Discussion

From the study, it was clearly indicated by majority of the respondents that E-business and E-procurement is a mode of business used in Safaricom and other organizations, for example, Hospitals, Nonprofit organizations and some government offices are some of the few organizations that use electronic business and technology to run their work processes. In support of the above, Farmer (2003) stated that E-business is the new way for any organization to run. He stated that E-business made communication between different organizations faster and more free making relations easier therefore building more trust within different organizations. In turn, this leads to partnerships between different companies. Partnering therefore ensured that both parties within the business stood to gain the most and greatly cut on risks through cost sharing and innovation of new ideas between both parties.

From the field study, majority of the respondents agreed that E-procurement helped the organizations achieve their performance targets. It was agreed that E-procurement made it easier to access suppliers and place in orders faster therefore greatly improving the speed of the purchasing function. Due to software applications that allow organizations list pre-qualified suppliers, it becomes more easy and faster to select a supplier who meets the organization's needs and specifications.

This is in line with Lyson K. (2006) that E-procurement offers more services other than making the procurement process electronic. Practises such as Just In Time and TQM are more easier to practise ensuring the purchasing agent has a greater variety of purchasing techniques to practise in accordance to the organizational needs.

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Outsourcing has also become easier for most organization therefore allowing specialization. According to Lonergen (2003), use of the internet has let to the formation of online stores which allow a supplier to sell a specific kind of good. This would be a non-profitable venture or a slow process if it were an actual store selling one kind of good. Due to the internet, specialization is more economical as it saves on time and allows one to select a product of high quality at the lowest price possible as competition is high between the readily available suppliers.

Information flow and management has greatly improved through the use of E-business in the running of business. As communication is done electronically, flow of information is faster and more accurate than sending personnel or using the post which may delay or the end person may never attain the information, Drucy, C (2006).

Ontop of creating efficiency within the organization, Drucy (2006) stated that this process cut down on the administrative processing costs to as much as 90 percent per day. This is evident through the reduction of paper work used, messengers sent from office to office, petty cash that may have been used in locating suppliers and communication costs with suppliers. This is not to say that E-business does not have its expenses. Infact, it needs constant maintainance and upgrades to ensure it complies with changing technology. However, in comparison with previous costs of the traditional procurement, the overral costs of electronic business have proved to be more economical than that of the traditional process.

5.3 Conclusions

The researcher found out the roles, effects and suggested possible solutions to improving the procurement process. The study revealed that organizations should come up with better training skills and knowledge transferred to the staff so as to improve the efficiency and productivity of the procurement process. This therefore helps to greatly cut on costs and delays in the procurement process therefore cutting on time lag making the process more transparent and effective.

The study concluded that Safaricom Kenya has played an important role in the promotion of E-procurement and E-business as a whole. It has in cooperated electronic business in attending to its customers and purchasing the different goods and services required to run the organization. One of the main challenges faced by the organization is the lack of technical know-how by its consumers. Many of its services offered online are underutilized due to lack

of technical knowledge by its consumers. Another problem faced includes its suppliers not using Electronic business. This problem is mainly handled by laying out specifications on the suppliers taken in. specifications must include suppliers who use E-business in order for the function to work efficiently. Advertising online services is another way of ensuring consumers are aware of services being offered therefore ensuring the services are fully utilized.

5.4 Recommendations

From the findings of the study, it is conceded that the following recommendations should be given due considerations by the government through the ministry responsible for the procurement process. These include the following:

a) There is need to train staff and consumers on the working process of E-procurement. This ensures efficiency and that the system is utilized to its full potential. This therefore ensures highest returns possible and transparency in the organization. It also ensures that the software in place is consumer friendly therefore ensuring any errors within the system are identified faster therefore promoting efficiency in the organization.

b) There is need for more research and recognition on E-business by organizations if this process is to be successful. companies should support this process economically and incooperate it into the different ministries to ensure that an organization works more efficiently. If the government recognizes E-business and in cooperates it into the work process, it becomes a trend within the country ensuring the country is forward and more efficient on technology.

c) The government should put in place legislation to ensure the procurement process is efficient and effective. This acts as a guideline for most organizations that wish to promote efficiency in the procurement process.

5.5 Area of further research

Because of the limitations of time and finance, the study has only been focused about the effects of E-business on the procurement process using Safaricom Kenya, Moi Avenue Branch as the main case study. It is suggested that further research should be done on:

a) Factors hindering organizational efforts to develop and implement procurement policies that help promote E-business within the country.

b) Ways through which E-business can help curb malpractises in the procurement process.

c) More research should be done in other areas of Safaricom, so as to compare with the research done in Safaricom Moi Avenue Branch. A comparative study.

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Safaricom Kenya website- Safaricom.co.ke

QUESTIONNAIRE

THE EFFECT OF E-BUSINESS ON THE PERFORMANCE OF THE PROCUREMENT PROCESS

1. Gender

   Male ☐   Female ☐

2. Age

   20-27 ☐

   28-37 ☐

   38-47 ☐

   48-57 ☐

   58-67 ☐

3. Education level

   Certificate ☐

   Diploma ☐

   Degree ☐

   Masters ☐

   P.H.D ☐

   Other. Please specify.....................................

4. Please state department you work in and the name of the organization.

   ....

   ....

5. Is E-business normally used in day-to-day business?

   Yes ☐   No ☐

   if yes,in what area

   ....

6. Has E-business improved the performance and speed of the procurement process?

   Yes ☐   No ☐

If yes,in which areas?

....

7. What processes have been automated by incooperating E-business in the procurement process?

....

....

8. which departments have access to the internet?

....

....

9. What level of management is authorized to practise online purchasing within the organization.

....

....

10. Apart from the purchasing function, what other services are offered by E-business?

....

....

11. How are Pre-qualified suppliers selected by the organization?

....

....

12. What measures are put in place to ensure that suppliers comply to E-business requirements?

....

....

13. What new practsises have come up with E-business to ensure a faster purchasing process.

....

....

14.What would you reccommend to improve the functioning of the electronic process?

....

....

APPENDIX I: WORK PLAN

TIME IN MONTHS	ACTIVITIES
November-March	Research Proposal writing
March-April	Data Collection
April-May	Dissertation Writing
May	Submission OF Dissertation

APPENDIX II: BUDGET

ITEM	TOTAL COST (UGSH)
Stationery	55,000
Printing and Binding	70,000
Data collection	120,000
Compilation and Analysis	40,000
Contingencies	15,000
Total	300,000