

Factors Influencing Implementation Of Just In Time Procurement in Public Institutions: A Case of Office of the Attorney General and Department Of Justice

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ABSTRACT

Procurement is an important aspect of all public institutions within government. This explains why over 60% of exchequers budget is appropriated through procurement in Kenya. There is however a continued concern over the implementation of Just in Time procurement in government institutions in Kenya. This study therefore was set out to establish the factors that influence the implementation of Just in Time procurement in public institutions. The study also sought to examine recommendations on ways to enhance Just in Time procurement in these institutions. From the literature review a number of studies revealed that the factors influencing the implementation of JIT vary from one institution to another. The factors considered in this study were: lead time, procurement processes, professionalism and top management support. The objectives were to determine the factors that influence the implementation of Just in Time procurement in the Office of Attorney General and Department of Justice which include lead time, procurement processes, procurement professionalism and top management support. The target population was the staff, the suppliers and the senior procurement officers. Both staff' and suppliers were randomly selected based on their gender, user Departments and on the number of items they deal in respectively. Questionnaires and interviews were used to collect data. The data collected was for the interviews and analyzed qualitatively for the interviews and quantitatively for the questionnaires using SPSS. The study revealed that long lead times, rigid procurement procedures, unprofessionalism and top management ambivalence are the major causes of slow implementation of Just in Time procurement in the public institutions, hence need to be addressed. This could be done by reducing the turnaround period, improve communication with all the stakeholders, employ professional qualified procurement staff and change inventory methods. Based on the findings

the following recommendations were made: that long lead times can be reduced through automation, harmonize the Public Procurement and Disposal Act to serve local needs, train user Departments on pre-requisites of requisitioning and documentation in order to minimize rejections. Procurement plans must be harmonized based on their cost-benefit analysis so as to achieve value for money; The choice of procurement method, sourcing for bidders; evaluation processes and appraisal of suppliers to be expedited diligently to avoid return of funds to the treasury; Top management must embrace and appreciate implementation JIT because it reduces the cost of doing business, adds value for money while enabling them achieve their mission and vision in their strategic plans. Public institutions ought to increase employee's involvement for purposes of service delivery.

Key Words: Just in Time, Lead time, Implementation of JIT, Public institutions

INTRODUCTION

The recent past decade has seen modern conventional approaches in procurement replacing the traditional approaches. This is due to many factors including the turbulent changing procurement environment. Public bodies have always been big purchasers, dealing with huge budgets. Public procurement represents 18.42% of the world GDP. In developing countries, public procurement is increasingly recognized as essential in service delivery (Basheka, 2010). It accounts for a high proportion of total expenditure, for example, public procurement accounts for 60% in Kenya (Bhatt, 2000), 58% in Angola, 40% in Malawi and 70% of Uganda's public spending. This is very high when compared with a global average of 12-20 % (Froystad et al., 2010). Due to the colossal amount of money involved in government procurement and the fact that such money comes from the public, there is need for accountability and transparency. Consequently, various countries both in developed and least developed countries have instituted procurement reforms involving laws and regulations.

The complexities of public procurement performance require more than just a mere policy framework in every nation. There is need to have direct interventions that would undo the complexities that bedevil the efforts of the government and international organization for supporting the public procurement performance initiatives. In this era of quickly changing corporate environments, purchasing managers are encouraged to be proactive. Purchasing managers need to develop a more proactive strategic approach and encouraged a proactive approach to purchasing planning (Rajagopal & Bernard, 1993). Proactive procurement management- is the process of professionally and aggressively adding value during the four stages required for effective procurement.

During the 2010-2011 financial years in Kenya, state agencies returned a whopping Ksh.142.5 billion in unutilized funds to the treasury. Despite all support measures aimed at achieving timely procurement objectives by public institutions, there are still cases of inefficient operations and ineffective use of information, (Economic Survey, 2010-2011) Strategic procurement performance can be defined as long-range plans for ensuring timely supply of goods and/or services that are critical to a firm's ability to meet its core business objectives. A

review of the country's public procurement systems was undertaken in 1999 and established that: There was no uniform procurement system for the public sector as a whole (PPOA).

JIT is also referred to as zero inventory production (ZIPS), materials as needed (MAN), daily Overhead and perfect supply (DOPS) and nick of time (NOT). JIT is concerned with adding value and eliminating waste by ensuring that just the right resources are available or supplies delivered frequently, in relatively small quantities just in time for use. The concept was introduced in Japan in the 1970's by Taiichi Ohno for the Toyota Company in an effort to meet the demand of customers for the various Toyota Models with minimal delays (Cheng & Podolsky, 1996). Toyota realized that for it to be successful three things must fit together: workers, plants and systems thus every individual must be involved, plants must be efficient and produce maximum output if programmes are scheduled to meet quality and exact demand. The notion is based on demand pull idea where planning begins in the final assembly line working backwards in all aspects of production from manufacturing to vendors and subcontractors. The idea is to limit production, supply of materials, work-in progress and any other production and supply processes to what is actually needed.

One of the factors that might have led to the success of JIT approaches in the Toyota Company is because the opportunities for leveraging the capabilities and competencies of suppliers through closer integration of suppliers in the logistical processes have been embraced and strengthened. This is because JIT approach requires closer integration of the supply-side issues in the development of strategies. JIT results into a leaner operation because it shifts costs elsewhere in the supply chain by 'forcing either the supplier or customers to carry that inventory (Christopher 2005). This is exhibited by the automobile industry for instance while total inventory in the manufacturing plants is lean the stocks down stream (raw materials) and upstream car dealers tend to have massive stocks.

This concept is very useful and adopted in modern organizations. However three things are prerequisite for it to be introduced including good understanding of current operations of an organization, positive management as well as organizational flexibility (Cheng & Podolsky 1996). Some of the reasons for its need saving on the already constrained storage space, minimization of storage costs, minimization of waste, wear and tear, pilferage, overstocking of certain products and shortages of others.

Thus this concept is very useful in a government organization where the said factors tend to exist. The office of the Attorney General and Department of Justice faces a number of challenges including lack of storage space and overstocking and under-stocking of supplies. The procurement department has tended to address this by incorporating JIT concept in its supply chain management. The process bears in mind the need for operating a 'network organisation' where activities are interfaced, information enhanced and partnerships strengthened. However, the process has not been very successful. This paper sought to carry out research on factors that influence implementation of procurement in the office of the Attorney General and Department of Justice. These factors include: lead time, procurement processes, supplier selection, procurement training and top management participation.

Statement of the problem

Public institutions procurement is an instrument of Government policy. The setting of new policies to serve socio-economic objectives, changed working environment, and good governance require a turnaround approach in public procurement system, which is an inevitable pre-requisite for service delivery. The government needs to adopt dynamic changes to be able to govern in an efficient and effective manner in order to deliver services. Government just like any business venture has obligations and commitments to fulfill to its customers - 'the citizens', who are claim holders and it's duty bound to deliver on the promises made in manifestos, service charters and during performance contracting.

Just in time (JIT) is 'an inventory control philosophy whose goal is to maintain just enough material in just the right place at just the right time to make just the right amount of product (White, 1985). JIT procurement is delivering what the customer needs, when it is needed and in the quantity needed using minimum resources of people, material and equipment.

According to Christopher (2005), JIT is cost effective and can help reduce waste. It also alleviates high scups, high inventory levels, long lead times, ensures high quality of purchased items, administrative efficiency including fewer suppliers, simplified communication and receiving activities, reduced inspection and lean stocks (Lysons & Farrington, 2006). In addition, JIT approach is hinged on the conventional approach for meeting requirements based on the statistical inventory control that relies on reordering when inventory levels fall to certain predetermined or established levels.

In Kenya the efficiency and effectiveness of public procurement had not been realized until the creation and enactment of the Kenyan Public Procurement and Disposal Act (2005). The push system has always been the usual supply system used by the government and has resulted into myriad of problems including stock piling up leading to space constraints, wear and tear and miscalculation of demand that lead to overstocking or under-stocking of which the office of Attorney General and Department of justice has not been an exception. Due to such challenges, in the recent times the office of the Attorney General & department of justice has tried to adopt innovative solutions and conventional supply chain practices including JIT. Only one service air ticketing has been applied and has proved to work even when there are no funds available. However value for money is not being achieved because JIT has not been implemented in its entirety more so in procurement section. More over the success of the approach has not been very good yet this concept has been applied elsewhere especially in developed countries and to site an example in leading car manufacturer in the world, Toyota with much success. This has opened a research opportunity for which the study will focus on factors influencing implementation of JIT procurement in public institutions specifically office of the Attorney General and Department of Justice.

General Objective

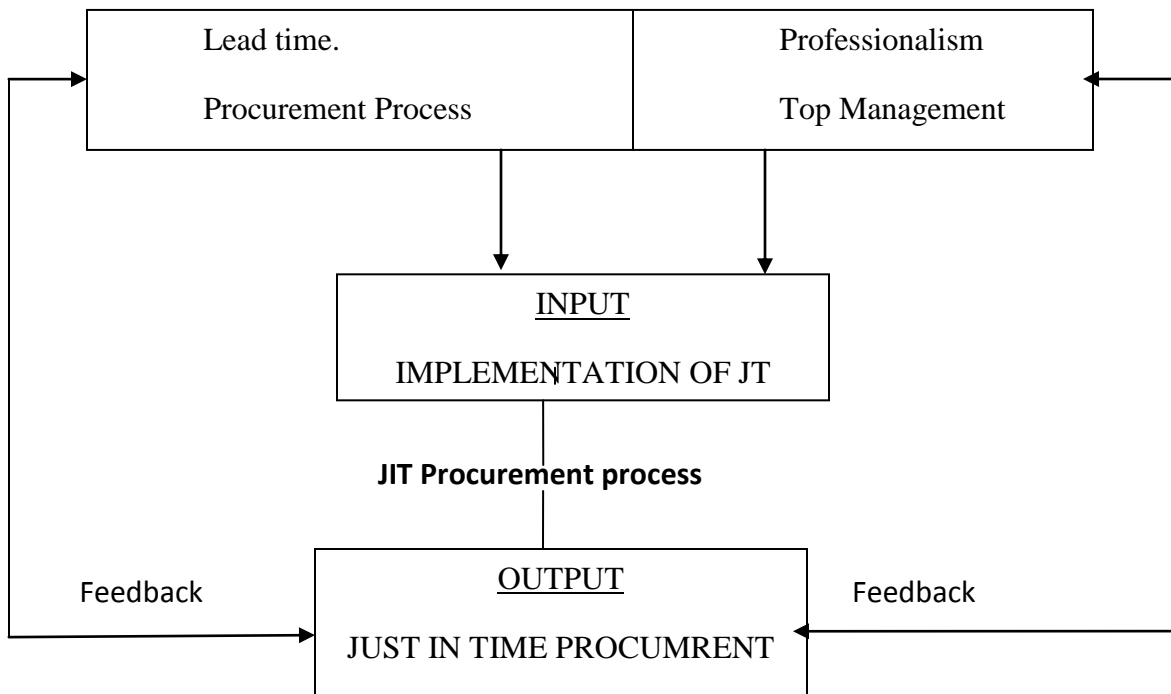
To establish the factors that influence implementation of just in time procurement in Public institutions in Kenya.

Specific objectives

1. To determine the effect of lead time on implementation of just in time procurement in the office of the Attorney General and Department of Justice
2. To establish effect of procurement processes on implementation of just in time procurement in the office of the Attorney General and Department of Justice
3. To examine the effect of procurement professionalism on implementation of JIT in the office of the Attorney General and Department of Justice
4. To establish to what extent top management supports implementation of just in time procurement in the office of the Attorney General and Department of Justice

Conceptual framework

The following conceptual framework guided the study,
Independent Variables



Dependent Variables

RESEARCH GAPS

There has been a paradigm shift in the way government institutions transact business, with the customer being the major focus. The shift has seen JIT procurement improve operations management in achieving greater customer value and organization performance although there

is a lot of confusion as to how to organize an effective JIT system. However, we still have some sticky issues of knowledge gap arising from the complexities and uncertainties brought about by the many supply chain players whose structures, objectives, organization, goal and strategies are always conflicting. There is need to align and manage the change to achieve desirable results among the chain players. In reality, the JIT strategy is not a one-shot effort, but an ongoing long term process.

RESEARCH METHODOLOGY

Descriptive research design was adopted in this study. This research design was a scientific method, which involved observing and describing the behavior of a subject without influencing it in any way. According Krishnaswami (2001), descriptive research, is non experimental in that it deals with relationships between non-manipulated variables in a natural rather than artificial setting. It is designed to obtain pertinent and precise information concerning the current phenomena and where possible to draw valid general conclusions from the facts discovered. Since the events or conditions have already occurred or exist, relevant variables were merely selected for an analysis of their relationships. The research involved a critical analysis of the effects of just in time and the effects in procurement system in the government Institutions. The research design that was adopted by researcher was a case study method where the researcher will focus on a single organization, which makes the findings a good representation of real situation. The study aimed at collecting information from respondents namely; the staff and suppliers on their undertaking in relations to Just in Time and the effects in the institutions. The researcher used both primary and secondary data. Primary data was obtained through questionnaire, interviews and observations.

Summary of Findings

Following the staff and suppliers questionnaires with the responses obtained from the interviews by the researcher: JIT philosophy has been partially adopted in the public institutions for the following reasons: (i) To improve returns on investments (ROI) by reducing carrying cost, (ii) JIT application if well implemented saves on warehouse space and cost.(iii) The need to have quality goods delivered at all the time,(iv) It enhanced collaborative relationship that facilitated good suppliers-customer relation,(v) JIT philosophy also encouraged the Total quality management(TQM) principle of zero defect, proliferation or wastage. This philosophy also discouraged double handling of goods. (vi) Finally, JIT philosophy saved on holding cash that would otherwise be employed in other business.

Despite the above enumerated benefits that could be achieved if JIT system can fully be implemented the respondents also acknowledged the presence of challenges into this philosophy. These challenges included: (i)The lack of understanding to JIT philosophy and the logistical challenges accompanied by its implementation (ii) Stochastic changes in demand and supply that took long for JIT partners (suppliers) to fully and promptly adopt into them.(iv) JIT philosophy rely heavily on efficient and effective communication and as such any communication problems constituted to challenges,(v) JIT philosophy lacked the good will of

the Top management in form of participation and incorporation of employees in decision making in the formulation and implementation of corporate strategic plans.

Discussion of Findings

Lead Time

The study found out that the independent variables that are lead time; procurement processes, procurement professionalism and top management support have a direct effect on the dependent variable that is the implementation of just in time procurement procedure in the public sector. In Office of the Attorney General & Department of Justice lead time are lengthy hence affect service delivery in various ways, the time taken to process payment for a supplier who has delivered goods or services and has furnished accounts department with the necessary documentation must not exceed three days according to the service charter however they can go upto two months. Long lead times affect the performance contracts of public entities and compromise the quality of service delivered. Bureaucratic tendencies mar the operations of government's institutions vide the assumption of chain of command structures which are archaic and out of tune with the digitalized environment.

Procurement processes of acquisition of goods and services strictly adhere to the Public Procurement and Disposal Act 2005 and Rules Regulations 2006 which is an impediment to pragmatic decisions and faster growth. The procurement processes are express and are executed in a sequence in order to avoid duplication of roles and for record keeping purposes. Contravention of the Act is severely punishable by imposing heavy fines on individuals and entities who error. The fear of being blacklisted and paying heavy fines instills fear in procurement officers in the way they execute their duties and mandates to the detriment of the general public who deserve services. Supplier selection is marred with corrupt tendencies though most respondents gave it a clean bill of health; it is an area which needs improvement. Automation and going paperless can unlock the stalemate and provide an avenue of ventilating on the vice.

Lysons and Farrington (2006) asserted that delivery lead times can be reduced through close cooperation with suppliers and possibly by inducing or having suppliers located closer to the factory. They also note that for JIT to be successful lead time must be zero or reduced to the bare minimum. Reducing lead-time can improve competitive advantage. An institution that can offer significant shorter and more reliable service delivery times than the others will often be able to increase its corporate image in the face of partners and stakeholders. They say it also alleviates high scups, high inventory and long lead times.

Yasin, Wafa and Small (2001) studied how communication is affected by the introduction of JIT. They suggested that JIT improves communication internally within organization and externally between the organization and its customers and vendor. This factor also resulted in closer relationship between procuring entities and suppliers characterized by a form of mutual

dependency. He further examined how JIT continually increases productivity and enhances customer responsiveness.

JING-sheng (1994) in his paper “the effect of Lead Time uncertainty in a simple stochastic Inventory Model”, studied the dynamic inventory model with a stochastic lead time and demand. He aimed at finding out the effect of lead times and their variabilities on optimal inventory decisions and system performance. His findings were that stochastically larger lead times may not necessarily lead to higher optimal average costs as a result of the dominance of the variability effect. Similarly a more variable lead time always leads to a higher optimal average cost and vice-versa. However, the effect of lead-time variability on optimal average cost is a factor of inventory cost structure. This demonstration that reduced lead times and their variability is a key factor in the processes involvement which is the nerve centre of the Just in time technique which the researcher studied. It is on this premise that this study examined the average lead time of goods and services from the time of the requisitioning to delivery to the user.

The findings revealed that bureaucratic procurement processes were rated the most often reason for long lead times which affected the performance outcomes of most staff. Lengthy /cumbersome procurement procedures were rated second. Other reasons included lack of essential user items in the store and the least rated was failure to deliver requisitioned goods and services on time. During interview with senior procurement staff it was also established that other factors alongside the above mentioned included: Failure by top management to approve requisitions on time, failure by staff to provide all the requisite documents required to process an order and lack of staff understanding of stores issuance guidelines and timetable.

The study found out that most respondents either strongly agreed or agreed that lengthy procurement processes were the main cause of long lead times. Other reasons included delays in requisitions of goods and services and failure to find requisitioned items in the stores which impacted negatively on the performance outcome of staff.

RECOMMENDATION

The following recommendation on how lead time affects just in time system in an organization. These were: (i) reducing the turnaround period (ii) Introduction of modern purchasing techniques should be employed to ensure that goods and services are procured exactly when they are needed, this will avoid delays that are both expensive and unnecessary for purchasing, (iii) Efforts should be made to ensure that suppliers are aware of the entities needs and lead-time schedule for goods and services are requisitioned in good time to avoid unnecessary delays and work stoppages, (iv) On professionalism it is recommended that Procurement staff should be trained so that they can be updated on modern procurement methods which will improve their performance and will help in speeding up the procurement procedure. (v) On stocking moderate stock should be held to ensure that work does not stop in the case of new supplies failing to be delivered on time. (Geitangi, 2009, p.25), (v) improve communication with

all the stakeholders and harmonize the PPDA (2005) to serve local needs and train user Departments on pre-requisites of requisitioning and documentation. The choice of procurement method, sourcing for bidders, evaluation processes and appraisal of suppliers be expedited diligently to avoid return of funds to the treasury which is a common occurrence in public institutions. Top management to appreciate and implement JIT because it reduces the cost of doing business, adds value for money while enabling them achieve their mission and vision in their strategic plans. Public institutions ought to increase employee's involvement for purposes of service delivery.

Based on the findings the following recommendations have been made: The study found that the lead time was unnecessarily long which was occasioned by both sides of the divide, on one hand the Procurement and Disposal Act 2005 and the Procurement Rules and Regulations 2006 spelt out stringent procedures which must be followed from initiation of needs by user departments to delivery and any deviation is punishable by hefty fines on the contrary, user departments originate requisition goods and services without attaching the necessary paperwork, procurement contracts and agreements must be express and not verbal in order to give them a legal backing in case of disputes which are common. The Act was a World Bank initiative to correct the earlier anomalies of fraudulent practices, corruption, and accountability in order to realize value for money and foster faster economic growth; however, it has turned out to be a hindrance and a bureaucratic tool for the procurement operatives. There is need to harmonize the Act to reflect the local needs by constant reviews to make it user friendly. User departments must be given remedial training on the Act and be able to appreciate the need for completeness in terms of documentation.

The study also found that retrogressive procurement practices were an impediment and a hindrance for JIT application in public organization. Procurement planning is important in order to prioritize implementation of scarce resources, however in most cases procurement plans are normally discarded and project are implemented based on political inclinations and correctness. There is need to implement procurement plans on their cost- benefit analysis in order of merit to achieve value for money. The choice of procurement method, sourcing for bidders, the evaluation processes and appraisal of suppliers must be expedited diligently to avoid return of funds to the treasury which is a common occurrence in the Kenya.

Areas for Further Research

This study was conducted in only one Office/Ministry- (Office of the Attorney General and Department of Justice) within the entire civil service and government institutions based in Nairobi.. A similar study should be conducted in other organizations in the counties, in order to establish whether these findings are valid for those organizations. The research can be done using other research instruments such as document analysis without necessarily using questionnaire. The target population of the study was staff and suppliers, future studies could target other organizations such as the food industry, insurance, banking and transport. This study narrowed itself to a few factors that influence JIT application, there is need for a

comprehensive research on all the Ministries, parastatals and other tertiary government corporate bodies.

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