



## **PUBLIC PROCUREMENT PREFERENCES AND SUPPLY CHAIN PERFORMANCE OF NAIROBI CITY COUNTY, KENYA**

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### **ABSTRACT**

This study explored the influence of public procurement preferences on supply chain performance in Nairobi City County, Kenya, with a particular focus on local supplier preference and social inclusion preference. As a vital instrument for socio-economic development, public procurement is increasingly being utilized to promote inclusivity by empowering marginalized groups, including women, youth, and persons with disabilities. However, despite the presence of well-structured policy frameworks, the implementation of these preferences has not consistently yielded the desired improvements in supply chain performance—highlighting a persistent gap between policy intent and actual outcomes. To address this gap, the study set out to examine how local supplier and social inclusion preferences influence key supply chain metrics such as cost reduction, service delivery, and customer satisfaction. The research adopted a descriptive design targeting procurement staff and suppliers engaged in county tenders. A stratified sample of 161 participants was selected, and data was collected using structured questionnaires. The data was then analyzed using descriptive and inferential statistics, including multiple regression analysis. The findings revealed significant positive relationships between procurement preferences and supply chain performance. Notably, social inclusion preference emerged as the strongest predictor ( $\beta = 0.741$ ), while local supplier preference also demonstrated a substantial influence ( $\beta = 0.628$ ). Together, these preferences were shown to explain 70.1% of the variance in supply chain performance, underscoring their combined impact. The study concludes that when effectively implemented, preferential procurement policies can generate synergistic benefits across economic, social, and operational domains without compromising efficiency. Nairobi City County serves as a compelling case for how developing economies can balance inclusive procurement goals with supply chain optimization. Key recommendations include: (1) enforcing local procurement targets supported by vendor capacity-building programs, and (2) introducing measurable quarterly quotas for marginalized groups. The study further recommends future research employing longitudinal designs to evaluate sustained impacts and the potential of digital technologies to enhance transparency and accountability in inclusive procurement systems.

**Key Words:** Public Procurement Preferences, Supply Chain Performance, Local Supplier Preference, Social Inclusion Preference

## **Background of the study**

Public procurement systems have great effect on Government expenditure all over the world. Mahmood, (2010) observed that through Government budgets, goods and services in the economy find market. He also observed that around 18.42% of the world's (GDP) goes to public procurement. According to Schapper&Veiga Malta, (2011) public procurement has a significant impact in a country's social and economic success. It provides a special trading relationship between the Governments and private entrepreneurs (Schooner, 2012) and is therefore key in the economic emancipation of the citizens including targeted ones such as the preference and reserved groups, (Arrowsmith, 2010). According to Schapper&Veiga Malta, (2011), public procurement is of significant importance as it consumes a huge chunk of the revenues collected by Government.

In Developing countries such as Kenya, Government is by fact the largest spender in the economy. Public procurement therefore becomes a vital tool to achieve targeted social goals such as the uplifting of the economic standards and levels of Preference and Reserved groups. Moreover, Article 227 of the Kenyan Constitution (2010) obligates State Organs and Public Entities to procure goods and services through systems characterized by fairness, equity, transparency, competitiveness, and cost-effectiveness. Building on these principles, the Public Procurement and Asset Disposal Act, 2022, along with the Public Procurement and Asset Disposal Regulations, 2020 (PPADR), stipulates that 30% of the total procurement budgets of all public entities must be allocated to preference and reserved groups, including women, youth, and persons with disabilities.

The Access to Government Procurement Opportunities (AGPO) initiative seeks to empower these groups socioeconomically, aligning its goals with Kenya's Vision 2030 (GoK, 2013) and contributing to the achievement of the United Nations' Sustainable Development Goals by 2030 (UN, 2016). Despite the strategies marginalized groups participation in public procurement is less than the required thirty (30%) percent Transparency International, (2015), Further an Auditor General report in 2017 showed that only ten percent (10%) of Kshs 250 billion tenders reserved for the preference and reserved groups had been taken up since the launch of AGPO program (GoK, 2017). This gap between policy and practice raises critical questions about the effectiveness of public procurement preferences in Public Sector including in Nairobi City County. Specifically, it necessitates an examination of how these preferences influence supply chain performance within the county. Supply chain performance is a multifaceted concept that includes efficiency, reliability, and responsiveness, all of which are vital for meeting the county's development objectives.

## **Statement of the Problem**

In recent years, the importance of diversity and inclusivity in supply chain management has gained increasing recognition. Governments, while deploying public funds for the provision of goods, works, and services, have realized the need to use the supply chain function to advance social and economic development by ensuring the inclusion of previously excluded groups (Ziolo et al., 2017). The benefits of this approach are multifaceted, encompassing financial and social advantages. These benefits include improved decision-making, increased innovation, and enhanced social responsibility. Additionally, companies with diverse and inclusive supply chains have been shown to perform better financially than those without such practices (Ziolo et al., 2017). However, further research is needed to fully understand the impact of diversity and inclusivity on supply chain management, as much work remains to be done in this area.

The inclusion of disadvantaged groups in the supply chain is becoming a critical function of government for several reasons (Thai, 2017). The significant financial impact of disadvantaged groups' participation in supply chains necessitates careful management. Government procurement by these groups is estimated to account for 10% to 30% of Gross National Product (GNP) in many countries (Muthoka & Iravo, 2017). Governments are now practicing gender mainstreaming in national budgets to ensure economic planning addresses the unique challenges faced by women and other disadvantaged groups in accessing public procurement (World Bank, 2015).

In Kenya, corruption has historically affected citizens through the loss and waste of public resources in flawed procurement processes (Hope, 2017). The political elite have often repurposed government machinery for personal gain, leading to significant public discontent. Through the Open Government Partnership, Kenya is responding to the Sustainable Development Goals (SDGs) agenda of leaving no one behind, upholding national values such as human dignity, equity, social justice, inclusiveness, equality, human rights, non-discrimination, and the protection of marginalized groups (Weber, 2017). To ensure underrepresented groups access procurement opportunities, Kenya has mandated that 30% of public procurement opportunities be allocated to women, youth, or people with disabilities at both national and local levels (Mohammed, 2019). Through the Open Government Partnership action plan, citizens are ensuring the effective implementation of open contracting data standards, ensuring these opportunities genuinely benefit the targeted groups (Mohammed, 2019).

Despite efforts to promote inclusivity and equity through procurement preferences and reservations, a significant research gap persists regarding their impact on the performance of public entities, including county governments in Kenya. While these practices have been implemented at both national and county levels, comprehensive studies assessing their effectiveness and influence on organizational performance remain limited.

Kiswili and Ismail (2016) investigated sustainable supply chain practices in Kenya's manufacturing sector, incorporating preferences and reservations as variables. Their findings indicated that such practices positively impacted organizational performance. However, this study was confined to the manufacturing sector and did not extend its scope to county governments. Similarly, Thairu and Chirchir (2016) examined the implementation of the youth preference and reservation policy in public procurement, revealing gaps in the policy's full application. Notably, their research did not analyze the performance of public entities that had adopted these policies.

Further, Nderitu and Karanja (2016) evaluated the effects of reserved tendering on supply chain performance within Kenyan state corporations, concluding that reservation practices significantly enhanced procurement outcomes. Ngari and Namusonge (2023) explored supply chain inclusivity in state corporations within the energy sector, identifying factors such as discriminatory procurement, stakeholder involvement, supply chain diversity, and integration as critical to performance improvements. However, both studies were limited to state corporations, leaving the dynamics of county governments unexamined. Existing research predominantly focuses on general inclusivity practices, with limited emphasis on procurement preferences and reservations specific to county governments. Furthermore, many studies prioritize compliance with these policies rather than analyzing their direct impact on procurement performance. This narrow focus underscores the need for a more targeted inquiry.

To address this gap, the current study investigates the influence of public procurement preferences and reservations on supply chain performance in Nairobi City County. By

narrowing its focus to this specific context, the study aims to generate valuable insights into how these policies shape procurement outcomes at the county level.

1.5.2 National Government  
For the national government, this study provides valuable insights into the effectiveness of the Public Procurement and Asset Disposal Act (2015) and related regulations. By evaluating how procurement preferences and reservations affect supply chain performance at the county level, the national government can assess the success of its policies in achieving broader socio-economic goals, such as poverty reduction and economic empowerment of marginalized groups. These insights can inform national policy adjustments and the development of support mechanisms to enhance the implementation of procurement preferences, ensuring that public resources are utilized in a manner that maximizes social and economic benefits.

## **Objectives of the Study**

### **General Objective**

The general objective of this study was to examine the influence of public procurement preferences on supply chain performance of Nairobi City County, Kenya.

### **Specific Objectives**

The study was guided by the following specific objectives;

- i. To assess the influence of local supplier preference (on supply chain performance of Nairobi City County, Kenya).
- ii. To determine the influence of social inclusion preference on supply chain performance of Nairobi City County, Kenya.

## **LITERATURE REVIEW**

### **Theoretical Review**

#### **Public Interest Theory of Regulation**

The Public Interest Theory of regulation, initially articulated by Arthur Cecil Pigou in 1932, posits that regulations are implemented in response to public demand to correct inefficient or inequitable market practices. This theory emphasizes that regulation should serve the common good, addressing societal needs rather than advancing specific vested interests (Hawkins, 2020). The core idea is that the government, acting as a representative of the public, intervenes in the market to rectify failures and promote efficiency and equity.

According to Pigou and subsequent proponents of the theory, regulation is necessary to manage the allocation of resources effectively and to ensure fair competition within the market. The theory suggests that without regulatory oversight, markets can become dominated by monopolies or oligopolies, leading to inefficiencies and unfair practices that disadvantage consumers and smaller businesses (Thairu & Chirchir, 2016). By imposing regulations, the government can create a more level playing field, fostering competition and protecting public welfare.

One of the fundamental principles of Public Interest Theory is that regulation should enhance overall societal welfare. This involves not just economic efficiency but also equitable access to resources and opportunities. The theory argues that markets, left to their own devices, often fail to address these broader social goals. For instance, market mechanisms might not adequately protect the environment, ensure fair labor practices, or provide for the disadvantaged. Government intervention, therefore, becomes crucial in promoting these public interests (Deegan & Unerman, 2011).

Public Interest Theory also holds that government regulations should be designed to reflect the interests of the society in which they operate, rather than the private interests of regulators or powerful economic actors. This perspective challenges the notion that markets can self-regulate to achieve optimal outcomes. Instead, it contends that active government involvement is necessary to correct market imperfections and to safeguard public goods. Regulations, in this view, are tools to mitigate the negative externalities of market activities, such as pollution or financial instability, and to ensure that the benefits of economic activities are broadly shared (Shubik, 1970).

Public Interest Theory is highly pertinent to the concept of local supplier preference in public procurement. The theory will aid in understanding local supplier preferences as a regulatory intervention aimed at addressing market failures and promoting broader societal goals. In Nairobi City County, and more broadly in Kenya, local supplier preference policies are designed to ensure that procurement processes contribute to local economic development. Public Interest Theory is highly pertinent to the concept of local supplier preference in public procurement. The theory will aid in understanding local supplier preferences as a regulatory intervention aimed at addressing market failures and promoting broader societal goals. In Nairobi City County, and more broadly in Kenya, local supplier preference policies are designed to ensure that procurement processes contribute to local economic development. Public Interest Theory is highly pertinent to the concept of local supplier preference in public procurement. The theory will aid in understanding local supplier preferences as a regulatory intervention aimed at addressing market failures and promoting broader societal goals. In Nairobi City County, and more broadly in Kenya, local supplier preference policies are designed to ensure that procurement processes contribute to local economic development.

### **Stakeholder Theory**

The area of stakeholder management was pioneered by Freeman (1984) where he introduced the idea that corporations have stakeholders and outlined the basic features of the stakeholder concept. The stakeholder approach has been described as a powerful means of understanding the firm in its environment. Mitchell et al. (1997) argue that, this approach is intended to broaden the management's vision of its roles and responsibilities beyond the profit maximization function and stakeholders identified in input output models of the firm, to also include interests and claims of non-stockholding groups. Donaldson and Preston (1995) elaborated that the stakeholder model entails that all persons or groups with legitimate interests participating in an enterprise do so to obtain benefits and that there is no pre-set priority of one set of interests and benefits over another. Consequently, stakeholder theory argues that in addition to stockholders there are other external constituencies involved, including communities, community groups, trade unions, trade associations, environmental groups, governmental bodies, associated corporations, employees, customers, and the public that need to be taken into consideration. The basic idea of stakeholder theory is that the organization has relationships with many constituent groups and that it can engender and maintain the support of these groups by considering and balancing their relevant interests (Jones & Wicks, 1999).

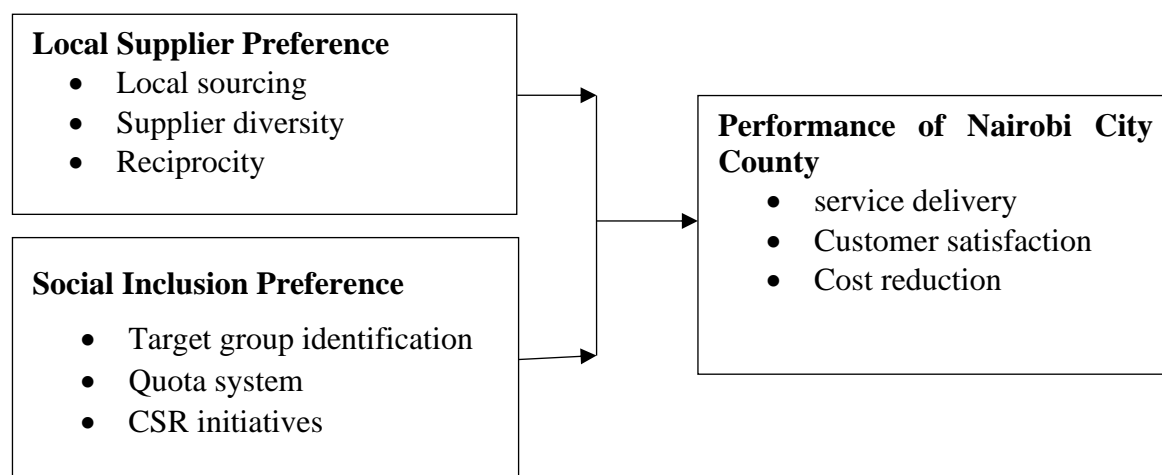
Overall, a central and original purpose of stakeholder theory is to enable managers to understand stakeholders and strategically manage them (Freeman, 1999). The managerial importance of stakeholder management has been accentuated in various studies (Jawahar & McLaughlin, 2001; Mitchell et al., 1997; Rowley & Moldoveanu, 2003) that demonstrate that just treatment of stakeholders is related to the long-term survival of the organization. Stakeholders in construction projects encompass a diverse range of individuals and entities, including clients, project managers, designers, subcontractors, suppliers, funding bodies, end-users, owners, employees, and local communities (Newcombe, 2003). This diversity

underscores the complexity of managing stakeholder dynamics in the construction industry. In response, a substantial body of construction management literature has emerged, focusing on strategies for identifying, analyzing, and effectively managing stakeholder interests and relationships. These studies emphasize the importance of balancing competing demands and fostering collaboration to ensure project success and sustainability. An adaptation of Freeman's (1984) original conceptualization of stakeholders to CDF works procurement include; Suppliers, Media, environmentalists, training organizations, public regulators, local community organizations, clients/owners, local and regional communities, construction firms, employees and other government departments.

The theory is adopted in this study to explain social inclusion. By integrating social inclusion preferences into stakeholder-oriented procurement strategies, organizations can achieve broader societal goals while enhancing organizational resilience and competitiveness. This proactive approach not only mitigates risks associated with exclusionary practices but also fosters innovation and positive community relations. Thus, stakeholder theory provides a robust framework for organizations to navigate complex social landscapes, promoting inclusive economic growth and contributing to sustainable development goals.

### Conceptual Framework

This study seeks to determine how public procurement preference affects supply chain performance of Nairobi city County. To have a better comprehension of the study variables, conceptual framework is adopted. As explained by Atkinson (2006), conceptual framework denotes a research tool that focuses on developing an understanding of the variables being examined. Accordingly, conceptual framework puts into consideration the theoretical and conceptual issues that surrounds the research work and thus form a coherent as well as reliable foundation that underpins the development and identification of the study variables. The conceptual framework of this study is illustrated in figure 2.1 below.



**Independent Variables**

**Dependent Variable**

**Figure 2. 1: Conceptual Framework**

#### Local Supplier Preference

Local supplier preference denotes an existing arrangement where contracts or percentages of contracts are set aside for contracting firms owned and controlled by Kenyans (McCriden, 2017). Set aside schemes are forms of reservation practices where foreign-owned entities are exempted from bidding for part or whole of a contract through clear and unambiguous criteria

favouring local firms. The request for proposal issued hence entails contractors owned and managed by locals and are often classified as SMEs or joint ventures of local firms. As explained by Fenster (2023), set asides are easy for better comprehension of officials, simple to explain to tenderers, and transparent despite the risk of being not cost-effective, least competitive, and less comparably equitable.

Local supplier preference is perceived by some as barring free trade as well as efficient utilization of resources. By favoring local suppliers, public entities reduce import competition, creating a negative effect similar to other protectionism measures. Such measures lead to distortion, limit choice, increase costs through prices, and reduce efficiency (Audet, 2002). The Agreement on Government Procurement (GPA) echoes the same assertion, arguing that discriminatory procurement practices have the potential to undermine trade (Mattoo, 2021). An illustrative example of procurement challenges can be observed in the United States, where the buy national campaign and related information policies influenced government practices to award significant contracts based not only on price and quality but also on nationality. This approach led to inefficiencies and ineffectiveness within the procurement process, fostering patterns of abuse and preventing public purchases from delivering adequate value for the expenditure of public funds (Maza & Cambor, 2019).

In contrast, developing countries such as Kenya face unique challenges in balancing free trade with equitable access to procurement opportunities. Like many other developing nations, Kenya's supply industry is heavily dominated by small and medium-sized enterprises (SMEs), which often lack the capacity to compete effectively in highly competitive markets. Structural and behavioral factors significantly influence the competitiveness of these organizations. Key factors include business size, operational efficiency, product development capabilities, familiarity with government procurement requirements, personnel training and expertise, quality control mechanisms, and production methods and technologies.

Given these limitations, SMEs struggle to compete with larger, more established foreign firms, which often possess greater resources and technological advantages. To address this disparity, protective measures such as set-aside regulations are essential to shield local SMEs from overwhelming competition and provide them with opportunities to grow and contribute to the national economy (Musila, 2019). These measures not only safeguard the interests of domestic suppliers but also foster local economic development by encouraging participation and capacity-building within the local supply chain.

### **Social Inclusion Preference**

Social inclusion preferences in public procurement policies aim to promote equitable opportunities for marginalized groups, such as women, youth, people with disabilities, and minority ethnic groups (United Nations, 2019). These policies are designed to address systemic inequities and create a more inclusive economic landscape. By leveraging on public procurement, governments can ensure that disadvantaged groups have access to economic opportunities, fostering social equity and promoting sustainable development. Social inclusion in public procurement involves setting aside contracts or providing preferential treatment to businesses owned by marginalized groups (United Nations, 2019). These policies are rooted in the recognition that certain groups face significant barriers to participating in economic activities due to historical, social, and economic disadvantages. By implementing social inclusion preferences, governments can level the playing field and ensure that these groups are not left behind in the economic development process.

According to the United Nations (2019), inclusive procurement practices can significantly contribute to achieving the Sustainable Development Goals (SDGs), particularly those related

to poverty reduction, gender equality, decent work, and economic growth. Inclusive procurement not only enhances the economic empowerment of marginalized groups but also promotes diversity and innovation within the supply chain. One of the primary benefits of social inclusion preferences is the promotion of economic empowerment among marginalized groups (World Bank (2018)). By providing these groups with opportunities to participate in public procurement, governments can help them build sustainable businesses, increase their income, and improve their standard of living. This, in turn, contributes to poverty reduction and social stability. Moreover, inclusive procurement practices can lead to a more diverse and competitive supply chain. Businesses owned by marginalized groups often bring unique perspectives and innovative solutions to the market, enhancing the overall quality and efficiency of goods and services. As noted by the World Bank (2018), diversity in the supply chain can drive economic growth and improve organizational performance.

Implementing social inclusion preferences requires a comprehensive approach that includes policy formulation, capacity building, and monitoring and evaluation. Governments must first establish clear and transparent criteria for identifying and certifying businesses owned by marginalized groups. This involves creating databases and registries of eligible businesses and ensuring that procurement officers are trained to recognize and apply these criteria (International Trade Centre, 2017). Capacity building is also essential for the success of social inclusion preferences. Many businesses owned by marginalized groups may lack the necessary skills, knowledge, or resources to compete effectively in public procurement. Governments can address this issue by providing training and support services, such as business development programs, financial assistance, and mentorship. According to the International Trade Centre (2017), such initiatives can significantly enhance the competitiveness and sustainability of these businesses.

### **Empirical Review**

Apopa (2018) investigated the influence of supply chain management practices on the performance of government ministries in Kenya, focusing on supply chain diversity as a key aspect of inclusivity. Adopting a cross-sectional study design, the research targeted 20 government ministries with a total population of 1,372 staff members working in supply chain management departments. Stratified random sampling was used to select the sample, and both primary and secondary data were collected, with questionnaires serving as the primary tool for data collection. A pilot test was conducted to assess the reliability and validity of the instruments. The data were processed using SPSS software (version 22), and both thematic content analysis (for qualitative data) and descriptive and inferential statistics (for quantitative data) were applied. The study found that supply chain diversity had a significant influence on the performance of government ministries in Kenya, highlighting the importance of inclusive procurement practices in improving overall organizational performance.

Arunga and Paul (2019) examined the factors affecting the implementation of the preference and reservation directive for government procurement opportunities in Kenya. The study used stratified random sampling, focusing on marginalized groups such as youth, women, and persons with disabilities, prequalified with the Central Bank of Kenya. The research applied simple random sampling to select 310 respondents from these strata, who were then surveyed using self-administered questionnaires. Data analysis was conducted using both descriptive and inferential statistics, including multiple regression models to explore the relationship between dependent and independent variables. The results indicated that factors such as regulatory frameworks, awareness of procurement opportunities, capacity building for marginalized groups, and ethical and compliance issues positively influenced the successful implementation of the 30% preference and reservation mandate in government procurement.



Jepkosgei and Kibet (2019) examined the influence of the preference and reservation policy on procurement performance in Elgeyo Marakwet County, Kenya. The primary objective of their study was to assess the impact of the legislative framework on procurement performance within the county. The study was guided by the Advocacy Coalition Framework (ACF) model, which emphasizes the role of policy actors and coalitions in shaping policy outcomes. The target population comprised women's groups, youth groups, and persons with disabilities, all of which were listed in the Elgeyo Marakwet County Headquarters. The researchers employed a descriptive survey research design to gather data, and a pilot study was conducted in Baringo County to test the validity and reliability of the research instruments. Questionnaires, containing both open and closed-ended questions, were used to collect data from the respondents. A simple random sampling technique was applied to select participants from the targeted groups. The data were analyzed using SPSS software, with reliability of the data collection instrument assessed using Cronbach's alpha, achieving a value of 0.7, which indicated acceptable reliability. The study concluded that the legislative framework, particularly the preference and reservation policies, had a significant influence on procurement performance in Elgeyo Marakwet County. The findings underscore the importance of a well-established legislative framework in ensuring effective implementation of procurement policies that benefit marginalized groups, thus improving procurement outcomes at the county level.

### **RESEARCH METHODOLOGY**

The research study was conducted using descriptive research design. the focus was on three key categories of professionals: senior-level Finance and Procurement professionals, Heads of Procurement and Finance Departments, and Procurement and Finance Officers. These individuals are directly involved in procurement and financial decision-making processes, making them critical to the study's objective of assessing public procurement preferences and supply chain performance. The sample size for this research study was arrived at using the mathematical approach developed by Yamane (1967). The sample (n) is 161 participants

To collect data from the participants, the study used a structured questionnaire. According to Kombo& Tromp (2006) questionnaires are research instruments for collecting information to be used in addressing specific objectives. The data collected was coded and analyzed using the Statistical Package for Social Sciences (SPSS version 27) tool. Using the SPSS, descriptive and inferential analyses was generated. Descriptive statistics was used as a measure of central tendencies and measures of dispersion (mean and standard deviation). Regression analysis was employed in testing the strength of the relationship between the independent variables and the dependent variable as to whether they are statistically significant. A t-test was able to confirm the significance of the results at the 5% level of significance.

### **FINDINGS AND DISCUSSIONS**

Questionnaires were distributed to 161 respondents, out of which 139 were completed and returned, yielding a response rate of 86.34%. Meanwhile, 22 questionnaires were not returned, accounting for 13.66% non-response. As shown in Table 4.1, the response rate of 86.34% is considered excellent according to Sekaran (2010), who states that a response rate above 70% is classified as very good. This high response rate ensured the collection of robust and reliable data, enabling meaningful analysis and conclusions applicable to the study population. The strong participation rate also minimized potential non-response bias, enhancing the validity of the findings.

## Descriptive statistics of the study variables

This section presents descriptive statistics summarizing respondents' perceptions of how public procurement preferences influence supply chain performance in Nairobi City County. The analysis examined two key independent variables—local supplier preference, social inclusion preference,—along with the dependent variable, supply chain performance. Responses were captured using a five-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). Results are presented using percentages, means, and standard deviations to quantify the extent of agreement/disagreement with each statement.

### Local Supplier Preference

This section analyzes respondents' perceptions of local supplier preference practices in Nairobi City County's procurement system. The findings, summarized in Table 1, reveal significant insights about how local sourcing and supplier diversity are implemented. The data shows varying levels of agreement across different aspects of local supplier preference, with mean scores ranging from moderate to strong agreement

**Table 1: Descriptive statistics for local supplier preference**

						Mean	SD
	Strongly disagree	Disagree	Neutral	Agree	Strongly agree		
The organization prioritizes local sourcing in its procurement policies.	6%	4%	5%	68%	17%	3.859	.957
The organization actively promotes supplier diversity.	6%	4%	9%	64%	17%	3.817	.972
Reciprocity agreements are a key consideration in supplier selection.	6%	4%	5%	11%	74%	4.430	1.151
Local suppliers are given preference in procurement decisions.	18%	11%	13%	42%	17%	3.289	1.356
Policies exist to support partnerships with local businesses.	13%	15%	5%	46%	21%	3.465	1.335
The organization has a structured approach to engaging diverse suppliers.	6%	15%	37%	34%	7%	3.197	.998
Reciprocity in procurement is encouraged through long-term supplier relationships.	1.9%	0.6%	13.0%	27.3%	57.1%	4.37	.88
The organization regularly reviews and updates its local supplier preference policies.	1.3%	10.4%	13.0%	31.2%	44.2%	4.06	1.05

The highest agreement (mean=4.43) was observed for reciprocity agreements being a key consideration in supplier selection, with 74% strongly agreeing. Similarly, the practice of encouraging reciprocity through long-term relationships received strong endorsement (mean=4.37), with 57.1% strongly agreeing. These findings suggest that reciprocal arrangements with local suppliers are well-established in the county's procurement framework.

However, the implementation appears uneven across different dimensions. While 68% agreed that the organization prioritizes local sourcing (mean=3.86) and 64% acknowledged active promotion of supplier diversity (mean=3.82), other aspects showed weaker implementation. Only 42% agreed that local suppliers receive actual preference in decisions (mean=3.29), and just 46% confirmed the existence of policies supporting local business partnerships (mean=3.47). The lowest agreement (mean=3.20) was recorded for having a structured approach to engaging diverse suppliers, where 37% remained undecided.

These findings align partially with existing literature on procurement preferences. The strong emphasis on reciprocity supports McCrudden's (2017) observation about set-aside schemes being effective when built on mutual benefits. However, the moderate scores on policy implementation resonate with Monari, Iravo and Kibet's (2017) findings about gaps between policy frameworks and actual practice in Kenyan public procurement. The literature suggests that while preference policies exist formally, their operationalization often faces challenges in consistency and monitoring - a pattern reflected in our mixed results.

The standard deviations (ranging from 0.88 to 1.36) indicate varying levels of consensus among respondents. Narrower deviations on reciprocity items (SD=0.88-1.15) suggest more uniform perceptions about these practices, while broader deviations on policy implementation items (SD up to 1.36) reveal greater disagreement or variability in experiences. This pattern reinforces the notion that while certain principles like reciprocity are well-established, their translation into concrete procurement actions may be inconsistent across different departments or projects.

Notably, the finding that only 44.2% strongly agreed about regular policy reviews (mean=4.06) suggests room for improvement in institutionalizing these practices. This echoes Kituyia et al.'s (2017) recommendation about the need for continuous evaluation mechanisms to strengthen preference systems. The moderate scores on structured supplier engagement (mean=3.20) particularly highlight an implementation gap that the county might need to address, possibly through clearer guidelines and capacity building as suggested by Buuri (2016).

When compared with regional studies, these results show both progress and persistent challenges. The strong reciprocity scores surpass findings from similar studies in Tanzania (Quayson et al., 2020), suggesting Nairobi may be more advanced in certain relational aspects of local procurement. However, the implementation gaps mirror challenges identified in South Africa's supplier diversity programs (Rogerson, 2013), particularly regarding policy operationalization and structured engagement approaches.

The mixed findings ultimately paint a picture of a procurement system that has established strong foundational principles for local supplier preference but still grapples with full and consistent implementation. This aligns with the conceptual framework's emphasis on local supplier preference as a multidimensional construct, where formal policies, operational practices, and relational aspects may develop at different paces. The results suggest that while Nairobi City County has made significant strides in creating a preferential procurement environment, there remains work to be done in systematizing these practices across all procurement activities and ensuring they translate into tangible opportunities for local suppliers.

### **Social Inclusion Preference**

The researcher also sought to determine the implementation of social inclusion preferences at the County government of Nairobi. The results are presented in table 2 below.

**Table 2 Descriptive statistics for social inclusion preference**

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	SD
The organization has a clear process for identifying target groups (e.g., women, youth, PWDs) in procurement.	1.3%	0.0%	0.0%	51.9%	46.8%	4.429	.635
A quota system is in place to ensure a set percentage of contracts go to marginalized groups.	1.3%	10.4%	13.0%	31.2%	44.2%	4.065	1.052
The organization actively tracks and reports on procurement allocations to marginalized groups.	0.0%	0.6%	13.6%	18.8%	66.9%	4.519	.752
There are structured Corporate Social Responsibility (CSR) initiatives supporting disadvantaged suppliers.	2.6%	1.9%	14.3%	30.5%	50.6%	4.247	.952
The organization provides mentorship or training programs for businesses from marginalized communities.	2.6%	0.6%	5.8%	39.6%	51.3%	4.364	.839
Social inclusion policies are regularly reviewed and updated to enhance participation.	5.2%	1.9%	13.0%	33.8%	46.1%	4.136	1.061
Procurement opportunities are widely advertised to ensure accessibility for target groups.	0.0%	5.2%	9.7%	22.7%	62.3%	4.422	.869
The organization collaborates with community-based organizations to support social inclusion in procurement.	2.6%	1.3%	16.2%	27.3%	52.6%	4.260	.955

The analysis of social inclusion preferences in Nairobi City County's procurement system reveals strong institutional commitment to supporting marginalized groups, with particularly robust implementation in certain key areas. As evidenced in Table 2, the tracking and reporting of procurement allocations to marginalized groups received the strongest endorsement ( $M=4.52$ ,  $SD=0.75$ ), with 66.9% of respondents strongly agreeing about this practice. This high mean score coupled with a relatively low standard deviation suggests consistent implementation of monitoring mechanisms across departments.

The identification process for target groups also showed strong consensus ( $M=4.43$ ,  $SD=0.64$ ), with 98.7% of respondents agreeing or strongly agreeing (46.8% strongly agreeing). The remarkably low standard deviation (0.64) indicates highly uniform positive perceptions about this aspect of the inclusion framework. Similarly, mentorship and training programs for marginalized businesses received widespread approval ( $M=4.36$ ,  $SD=0.84$ ), suggesting these support services are well-established.

CSR initiatives showed slightly more variation in implementation ( $M=4.25$ ,  $SD=0.95$ ), though still with strong overall support (81.1% agreement). The quota system implementation

presented more mixed results ( $M=4.07$ ,  $SD=1.05$ ), with 13% neutral responses indicating potential gaps in consistent application. Policy review processes showed the widest dispersion ( $M=4.14$ ,  $SD=1.06$ ), suggesting uneven experiences with policy updates across different units.

These findings demonstrate that while the county has successfully institutionalized certain social inclusion mechanisms - particularly tracking systems and target group identification - other aspects like quota enforcement and policy reviews show room for improvement. The pattern of results suggests that operational components (tracking, identification) have been more consistently implemented than systemic ones (quotas, policy updates).

The high mean scores across all items confirm Nairobi City County's strong commitment to social inclusion in procurement, while the variation in standard deviations helps identify specific areas where implementation could be strengthened. The results particularly highlight the success of concrete, measurable interventions (tracking, training) compared to more structural elements of the inclusion framework.

### Supply Chain Performance at Nairobi City County

The evaluation of supply chain performance at Nairobi City County reveals consistently strong outcomes across multiple dimensions, as evidenced by the data in Table 3. The findings demonstrate particularly robust performance in service delivery and policy alignment, with all measured aspects scoring above 4.34 on the 5-point scale, indicating widespread agreement about the effectiveness of current procurement practices.

**Table 3: Descriptive statistics on Performance at Nairobi City County**

						Mean	SD
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree		
The organization's procurement practices contribute to improved service delivery.	0.00%	0.00%	0.00%	52.15%	47.85%	4.478	.501
Procurement policies have led to increased customer satisfaction.	1.08%	4.30%	3.76%	32.80%	58.06%	4.425	.843
The procurement process ensures timely delivery of goods and services.	4.84%	2.15%	5.91%	24.73%	62.37%	4.376	1.034
The organization effectively monitors supplier performance to enhance service quality.	3.23%	5.38%	6.45%	20.43%	64.52%	4.376	1.039
Procurement decisions help in reducing overall costs.	3.23%	2.69%	6.99%	30.11%	56.99%	4.349	.959
Cost-saving strategies are integrated into procurement planning.	1.08%	3.23%	7.53%	24.73%	63.44%	4.462	.852
The organization ensures transparency and efficiency in procurement, leading to better service outcomes.	3.76%	3.23%	6.99%	20.97%	65.05%	4.403	1.015
Procurement policies align with customer needs and expectations.	2.69%	2.69%	2.69%	27.96%	63.98%	4.478	.890

Service delivery emerges as the strongest performing area, with all respondents reporting positive impacts (mean=4.48, SD=0.50). The remarkably low standard deviation suggests near-unanimous consensus about procurement's contribution to improved services. Customer satisfaction metrics similarly show strong results (mean=4.43, SD=0.84), with 90.86% of respondents agreeing procurement policies enhance satisfaction levels. These findings indicate the county has successfully aligned its procurement operations with service delivery objectives.

Operational efficiency measures present equally compelling results. Timely delivery of goods and services received strong endorsement (mean=4.38, SD=1.03), despite slightly higher variability in responses. Supplier performance monitoring shows identical mean scores (4.38) with comparable dispersion (SD=1.04), suggesting these operational aspects are consistently well-managed. The data reveals that 85% of respondents observe effective supplier monitoring, contributing to service quality maintenance.

Cost management performance demonstrates slightly more variation but remains robust overall. Cost reduction through procurement decisions received 87.1% agreement (mean=4.35, SD=0.96), while integration of cost-saving strategies scored even higher (mean=4.46, SD=0.85), with 88.17% positive responses. These results indicate that financial considerations are being effectively incorporated into procurement planning and execution.

Transparency and efficiency metrics show particularly strong performance (mean=4.40, SD=1.02), with 86.02% of respondents affirming these qualities in procurement processes. The alignment of procurement policies with customer needs emerges as another standout area (mean=4.48, SD=0.89), matching the service delivery score as the highest in the performance evaluation. This dual strength in both operational effectiveness and stakeholder alignment suggests a well-balanced procurement system.

The consistently high mean scores across all performance indicators, ranging from 4.35 to 4.48, paint a picture of a procurement system functioning at above-average effectiveness levels. While some operational aspects show slightly greater response variability (SDs around 1.0 compared to 0.5 for service delivery), the overall pattern indicates strong, widespread satisfaction with procurement outcomes. The data particularly highlights how Nairobi City County has successfully translated its procurement policies into tangible performance results across service delivery, cost management, and operational efficiency dimensions.

The performance metrics reveal an interesting hierarchy of strengths, with service delivery and policy alignment showing the highest scores and lowest variability, followed closely by cost management and operational efficiency measures. This pattern suggests the county's procurement system may be slightly more developed in its strategic orientation and customer focus than in some operational execution aspects, though all areas remain at high performance levels. The findings collectively demonstrate that Nairobi City County's procurement function is making significant positive contributions to overall organizational performance and service delivery outcomes.

### **Correlation analysis**

Correlation refers to a statistical relationship between two or more variables that demonstrates how they change in relation to each other (Field, 2018). In the present study, Pearson correlation analysis was conducted to examine the strength and direction of linear relationships between procurement preference variables and supply chain performance. Pearson's *r* was selected as the appropriate measure as it assesses linear relationships between continuous variables that are normally distributed (Pallant, 2020).

**Table 4: Correlation analysis**

			Local supplier preference	Social Inclusion Preference	Supply chain performance
Local preference	supplier	Pearson Correlation	1		
		Sig. (2-tailed)			
		N	142		
Social Preference	Inclusion	Pearson Correlation	.490**	1	
		Sig. (2-tailed)	.000		
		N	139	139	
Supply Performance	chain	Pearson Correlation	.580**	.569**	1
		Sig. (2-tailed)	.000	.000	
		N	139	139	139

Local supplier preference maintains a moderately strong positive relationship with performance ( $r = 0.580$ ,  $p < 0.05$ ). This correlation confirms that favoring local suppliers contributes significantly to supply chain success. The relationship suggests that local procurement strategies are effectively supporting county objectives.

Social inclusion preference demonstrates a similar correlation strength to local preferences ( $r = 0.569$ ,  $p < 0.05$ ), indicating that policies supporting marginalized groups are positively associated with performance outcomes. This finding validates the county's efforts to combine social objectives with procurement effectiveness.

### Regression analysis

A multiple linear regression analysis was conducted using the ordinary least squares method to examine the combined influence of local supplier preference, and social inclusion preference, on supply chain performance in Nairobi City County. The model summary results presented in Table 5 reveal that the four procurement preference variables collectively explain a substantial portion of supply chain performance variation.

**Table 5: Regression coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
(Constant)		1.920	1.760		1.091	.001
1	Local Supplier preference	.628	.175	.395	3.583	.000
	Social Inclusion preference	.741	.299	.503	2.477	.001

a. Dependent Variable: supply chain Performance

Substituting the regression coefficients from table 5 above into the regression equation yields

$$\text{Supply Chain performance} = 1.920 + .628 \text{ Local supply chain preference} + .741 \text{ Social Inclusion Preference}$$

From table 5, The regression coefficient for Local Supply Chain Preference is 0.628 ( $p = 0.000$ ), indicating a statistically significant and positive relationship. This suggests that a one-unit increase in preference for local supply chains leads to a 0.628 unit increase in supply chain performance. This aligns with existing literature, emphasizing that proximity in sourcing can enhance responsiveness, reduce transportation risks, and strengthen local economic ties, which in turn can boost overall supply chain outcomes.

The regression coefficient for Social Inclusion Preference is 0.741 ( $p = 0.001$ ), suggesting that promoting inclusive practices has a strong and statistically significant impact on supply chain performance. This finding implies that policies that foster social inclusion—such as engaging underrepresented groups—can enhance organizational effectiveness, innovation, and stakeholder satisfaction. Tuominen and Antilla (2015) similarly emphasize the importance of collaboration and inclusion in fostering innovation and performance.

## **Conclusions**

### **Local Supplier Preference**

The study confirmed that local supplier preference positively influences supply chain performance by fostering closer, more responsive, and mutually beneficial relationships with nearby vendors. These partnerships have strengthened supply continuity, reduced lead times, and contributed to the growth of local enterprises. However, the research also revealed a gap between policy intent and actual implementation, indicating that while frameworks for local sourcing exist, they are not yet fully internalized across all procurement levels. The conclusion is that local preference policies require deeper integration into day-to-day procurement decision-making to unlock their full potential.

### **Social Inclusion Preference**

Social inclusion emerged as a particularly transformative element of Nairobi City County's procurement system. The study concluded that targeting historically marginalized groups—such as women, youth, and persons with disabilities—has improved not only equity but also efficiency, through diversification of suppliers and enhanced social legitimacy. Transparent allocation tracking and the use of quotas were especially effective tools. Contrary to traditional assumptions, the study affirms that social objectives do not detract from operational performance; rather, they add strategic value when aligned with performance goals. Social inclusion, therefore, stands as both a moral and operational imperative.

## **Recommendations of the study**

### **Local Supplier Preferences**

To enhance the effectiveness of local supplier preferences, Nairobi City County should prioritize three key interventions. First, the county procurement office should implement a structured supplier development program that provides targeted training for local vendors on public tendering processes, quality standards, and financial management. This would address the current gap between policy intent and actual purchasing decisions by building the capacity of local businesses to compete effectively. Second, the county should establish a dynamic local supplier database with verified capabilities and performance records, enabling procurement officers to easily identify qualified local vendors for specific contracts. Third, the county should introduce preferential scoring criteria that systematically favor local suppliers while maintaining quality thresholds, particularly for contracts below a specified value threshold. These measures would strengthen the local business ecosystem while ensuring the county continues to receive value for money in its procurement activities.

### **Social Inclusion Preferences**

To maximize the impact of social inclusion preferences, Nairobi City County should implement a comprehensive strategy that goes beyond simple quota systems. The county should develop specialized capacity-building programs tailored to women, youth, and persons with disabilities (PWDs) that address both technical procurement skills and business management fundamentals. These programs should incorporate mentorship components pairing new



entrants with experienced suppliers from similar backgrounds. The county procurement portal should include a dedicated social inclusion dashboard that tracks participation rates, contract values, and performance metrics for marginalized groups in real-time. To ensure meaningful participation rather than token compliance, the county should implement a graduated participation model where target groups initially access smaller contracts with structured support before progressing to larger tenders. Regular impact assessments should evaluate how these procurement opportunities are translating into genuine economic empowerment for marginalized communities.

### **Suggestion for Future research**

Future studies should explore longitudinal analyses to assess the long-term impacts of preferential procurement policies on supply chain resilience and local economic development. Comparative research across different counties could identify contextual factors influencing policy effectiveness. Additional investigation is needed into digital solutions for enhancing transparency in preferential procurement processes, particularly blockchain applications for tracking marginalized group participation. The role of financial inclusion mechanisms in supporting SME procurement participation warrants deeper examination. Research should also evaluate the environmental outcomes of sustainable procurement policies, moving beyond process metrics to measure actual ecological benefits. Finally, qualitative studies exploring supplier perspectives could reveal implementation challenges not captured in quantitative data. Such research would strengthen evidence-based policymaking for inclusive and sustainable procurement systems in developing economies.

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