

**PROCUREMENT MANAGEMENT PRACTICES AND PERFORMANCE OF PETROLEUM FIRMS IN NAIROBI CITY COUNTY, KENYA****¹Mungai Cynthia Josphine Waruguru, ² Dr. Ndeto Charles, PhD**¹ Masters Student, Jomo Kenyatta University of Agriculture and Technology² Lecturer, Jomo Kenyatta University of Agriculture and Technology**ABSTRACT**

This study sought to examine the effect of procurement management practices on the performance of petroleum firms in Nairobi City County, Kenya. Specifically, the study sought to find out how procurement planning practice affects performance of petroleum firms in Nairobi City County, Kenya, and to determine the effect of contract management practice on the performance of petroleum firms in Nairobi City County, Kenya. The study used descriptive survey research design. The target population for the study was 73 petroleum firms in Nairobi County. The unit of observation was the four heads of department in the procurement, finance, marketing and logistics departments of every firm. Therefore, the total target population was 292 respondents. The study used primary data which was collected through use of questionnaires. Pilot study was carried out to establish the reliability and validity of research instruments. A structured questionnaire was used to collect data. Data gathered from the questionnaires administered was analysed by the help of SPSS and Microsoft Excel. The outputs were presented in form of statistical diagrams, tables and charts. The study used multiple linear regression and correlation analysis to show the relationship between the variables. The study results were presented through use of tables and figures. The study concludes that procurement planning has a positive and significant effect on performance of petroleum firms in Nairobi City County, Kenya. Further, the study concludes that contract management has a positive and significant effect on performance of petroleum firms in Nairobi City County, Kenya. This study recommends that the management of petroleum firms in Nairobi City County should conduct a thorough analysis of historical sales data and demand patterns to determine the ideal re-order point for inventory items.

Key Words: Procurement planning, Contract management, Strategic procurement practices, Performance of energy firms

Background of the Study

Although the energy sector is developing strongly, its development will face many challenges and opportunities. One of the main problems is performance. Theoretically, oil prices should be a function of supply and demand. When supply and demand increase, prices must fall and vice versa. But the truth is different. Oil, the energy of choice, has a complex pricing structure. Demand and supply are just one part of an equation that includes many factors, such as geography and environmental issues, which are economic issues of great concern to leaders and bring in money (Viverita, 2018). Petroleum products play an important role in the economic development of many countries around the world. It is also important to note that according to the Kenya Manufacturers Association, most households in the country are heavily dependent on petroleum products for energy such as lighting and SME activities (KAM Report, 2018). In summary, petroleum products have a significant macro and microeconomic impact on the economies of many countries (Suraw and Kariuki, 2018). Following the deregulation of Kenya's power sector in 1992, the economic structure of the electricity sector remained oligopolistic at both wholesale and retail levels (Government of Kenya, 2019). It ensures competition in the oil industry by allowing all OMCs to procure petroleum products at the same price. However, the market is still dominated by the oligopoly of the three largest companies; Vivo, Total, Kenol Kobil etc. Many companies such as make up more than 50% of the market. Major petroleum companies are conglomerates holding 51.4% of the 1,153 stores, with the remainder controlled by new entrants and independent owners (EPRA, 2019).

Creative production can play an important role in the growth and development of the country if done correctly. The company's strategy team is one of the most important areas. Problems in this area will affect the company's performance (Van Weele, 2010). Procurement is defined as the process of acquiring or purchasing goods or services and includes: planning, setting standards, custom construction, research and selection, cost analysis, financing, price negotiation, purchasing, contract management, and storage and disposal. and other related topics.

If properly handled, procurement may play a critical part in a country's economic growth and development. A company's procurement team is one of its most important departments. The department's troubles will have an impact on the company's performance (Van Weele, 2010). Buying is defined as the process of obtaining or purchasing of goods or services and it involves; planning, standards determination, specification development, supplier research and selection, value analysis, financing, price negotiation, making the purchase, supply contract management, inventory control and stores and disposals, and other associated function.

Hughes (2019) explains that the procurement process includes everything from determining the need to enter into a service contract or the end of life of the asset. These activities include the creation and operation of products or services, as well as the evaluation and evaluation of their quality, leading to additional purchases. The main function of the purchasing department is to obtain all the materials necessary for the daily work of the organization. According to Mangan (2018), it is best to have sufficient products and purchasing services at the lowest price to meet the buyer's needs in terms of quality and quantity, time and cost.

Good procurement management practices are a huge determinant for the rise or downfall of businesses (Shafi, 2019). According to Pauly (2018), some of the design goals of the purchasing process include improving customer experience, reducing delivery time and cost, and meeting business needs. Therefore, Mittal (2019) defines the purchasing application as a network solution that helps increase efficiency and constantly monitor the supplier network by using system innovation and technology. Companies with good product management can improve all aspects of performance, including profitability, sustainability, efficiency, and organizational performance

through quality management, productivity, and customer satisfaction (Dobler, 2019). Effective supply chain management in an organization ensures that broad and comprehensive business objectives are translated into operational activities (Pirttila and Virolainen, 2018).

Best procurement practices are important for product quality management. Companies focused on performance improvement optimization strive to create and coordinate cost-effective international marketing plans. Organizations must individually and collectively develop and implement best purchasing processes to support strategic initiatives that also meet environmental objectives (Chalotra, 2019). In order for companies to maintain effective and efficient practices, organizations need to understand the delivery process, the business environment of their products, and the business process in the organization (Muhayimana, 2019). Therefore, this study aims to determine the impact of procurement management practices on the performance of petroleum firms in Kenya. This study therefore seeks to establish the influence of procurement management practices on performance of petroleum firms in Kenya.

Statement of the Problem

The Kenyan petroleum sector contributed an estimated 2.8% to GDP in 2019 with net domestic sales of petroleum products increasing by 6.5% to 5,044.2 thousand tons (KPA, 2020). The energy sector has an annual average growth rate of 14%, therefore the petroleum firms have been forced to come up with effective strategies to sustain their performance and growth (Muchiri, Ombui, & Iravo, 2017). Currently there is no local crude oil production and activity in the upstream industry that is centered on exploration and the development of infrastructure to facilitate production. Within the upstream oil and gas sector, the level of business participation has been irregular and declining. In 2017, 30% of Tullow Oil's supplier spend was with Kenyan businesses, down from 33% in 2016, albeit with a higher absolute value due to increased expenditure related to the 2017 South Lokichar appraisal campaign (Tullow Oil plc, 2018). The energy sector in Kenya is very competitive because the products are almost homogeneous and the 94 registered petroleum firms by the Energy and Petroleum Regulatory Authority is high (Omai, Njeru, & Memba, 2018). Tullow Oil shares sunk from 3.9% to 2.3% in 2022 after Africa and Total Energy withdrew (Tullow Oil Report, 2023).

Petroleum firms in Kenya have been dodged with a lot of challenges in the last two decades. The demand for oil across the world fell rapidly as mitigation measures instituted against the spread of the COVID-19 pandemic slowed down economic activities in 2020. According to Lawrence and Lorsh (2020) the profitability of most petroleum companies in Kenya fell by 66% as a result of covid 19 pandemic. Kotler and Armstrong (2016) indicate that the hostile business environment has been made worse by the introduction very strict and tough tax regime. The introduction stringent tax regimes in 2005 by the Kenya Revenue Authority requiring upfront prepayment of taxes on oil imports has put a significant financial impact on energy industry in Kenya. Usually, KRA imposes an upfront payment of 50% taxes on imported petroleum products. For instance, Kenol has reduced its petroleum sales to bulk buyers like airlines and emergency power producers citing low margins in these transactions. This saw its revenues fall 19.2 per cent to Sh34.8 billion in the half year ended June 2019, dipping Sh8.3 billion in absolute terms (Kenya Economic Survey, 2019). Its rival Total Company limited also recorded a decline in wholesale supplies to smaller oil marketers, a move that saw its turnover drop 32.6 per cent to Sh55.7 billion in the same period (businessdailyafrica.com, 2019). Covid-19 has impacted individuals, businesses and economies across the globe. The petroleum industry is no exception. According to Frost and Sullivan, (2020), 76% of the petroleum firms are having difficulties in locally sourcing or importing raw materials and 67% found access to market challenging. This has also resulted to decline in profitability of the petroleum firms. Procurement management practices influence firm performance.

A number of studies have been done on procurement management practices and how they relate with performance. Globally, Arik, Clark and Raffo (2016) did a study on Strategic procurement practices of organization in the wake of economic crisis. This study was however limited to non-governmental organizations. Among Business to Business (B2B) firms in Brazil, Akhterand Fernando-Pinto-Barcellos (2017) looked at how procurement management practices resulted into performance. Kimalel (2017) carried out a study on how procurement management practices affected organizational performance. The study was however limited to the NGOs. Most of the above studies were done in advanced countries others related procurement practices to organizational competitiveness instead of performance. This results into contextual and conceptual gaps respectively. To fill these gaps, the current study seeks to assess the relationship between procurement planning, contract management and performance of petroleum firms in Nairobi City County, Kenya.

Objectives of the Study

The main objective of the study was to examine the effect of procurement management practices on the performance of petroleum firms in Nairobi City County, Kenya.

Specific Objectives

- i. To find out how procurement planning affects performance of energy firms in Nairobi City County, Kenya.
- ii. To determine the effect of contract management on the performance of energy firms in Nairobi City County, Kenya.

LITERATURE REVIEW

Introduction

Goal Setting Theory

Goal-setting theory suggests that people are guided by clear goals and positive feedback (Aitken, Childerhouse, and Towill, 2018). Working towards a goal is a powerful motivator. Challenging and specific goals along with feedback help improve delivery times. The idea behind this theory is that setting realistic, rigid goals and plans will be more effective than doing your best (Artley and Stroh, 2019).

These goals are useful for personal work and focus people's efforts and energy in a single direction. There is a strong relationship between the complexity and specificity of goals and how well individuals perform on these tasks. Difficult and clear goals lead to higher performance than vague and simple goals. Belz and Wuensche (2019) found that goals must have the following characteristics to be supported: The cycle time and delivery time need to be accurate, which requires a lot of planning (Cheung, Wang, and Lo, 2019).

According to the practice of purchasing planning, there is the concept of goal theory, in which specific goals are related to business objectives. They are also measurable, complete, reasonable and time-bound, providing certainty to suppliers. Because goals are incremental in nature, the challenge and difficulty of achieving them increases with each delivery cycle, thus increasing efficiency and effectiveness (Sylvia, 2018).

Organizations often use quarterly performance reports and reports to gain insight into their progress when reviewing them at the end of the contract. They measure overall performance. Giving back allows businesses to evaluate themselves and adjust their plans and efforts to achieve their goals. The third party is responsible for goal setting and communication with the purchasing

organization regarding performance and goals to be achieved (Simatupang and Sridharan, 2018). This leads to recognition and ownership of the process, which leads to determination and responsiveness to achieve goals.

Stewardship Theory

This theory was developed by Donaldson and Davis (1991) and Davis (1993), respectively. The desire to do well is the best motivation for leaders to succeed. This concept is based on the idea that managers are managers whose performance depends on their managers' goals. This shows that managers are proud of the company's performance and success.

The idea here is that support is not financial but is about the need to work, the ability to exercise responsibility and authority, and recognition from friends and family. Leaders also support leaders. It is important for companies to create a framework that enables collaboration among key stakeholders (Abdula and Valentine, 2009). The contract management role will benefit from consistent leadership and understanding of practice and policy.

In addition to continuing to support CEO duality, proponents of stakeholder theory argue that most corporate executives have experience working in the organization and therefore take less time to make decisions; They can do better. Evaluating the performance of senior managers and using their expertise to ensure product quality and performance. Cia (2018) said that many of the board members will be influential and work in decision-making processes, including the management of the supplier. Management theory is aligned with the contract management practice variables in this study.

Conceptual Framework

Conceptual framework is a set of concepts that research uses to achieve specific goals (Chakraborty, 2017). It is the principle that makes form and shape work and holds everything together in a plan (Mugenda and Mugenda, 2018). It demonstrates how a study conceptualizes and displays the link between the variables in the study (Kothari, 2019).

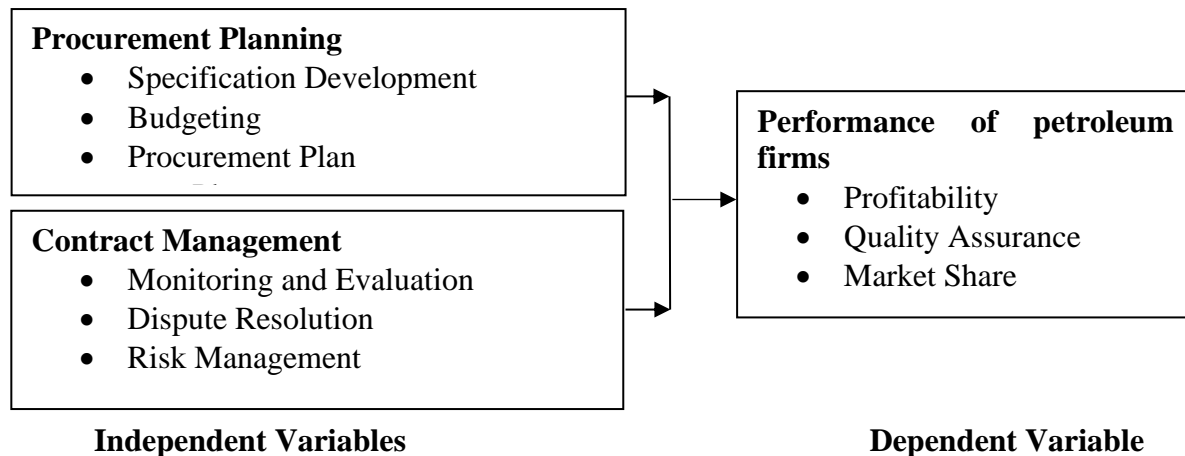


Figure 2.1: Conceptual Framework

Procurement Planning

Poor planning and management of the purchasing process, including inadequate requirements and estimates, unrealistic budgets, and understaffing, is a major concern in purchasing. If the scheme is planned and implemented correctly, it can be an effective tool for collecting, distributing and distributing money (Chandra, 2010). Good content requires continued hard work that goes beyond specific implications. The basis of planning is based on planning strategy rather than small projects

involving several activities. The basis of planning tasks and assigning tasks to people is good planning (Brown and Hyer, 2010). It is a form of collaboration and communication between parties involved in the purchasing process and encourages employees to think ahead and raise awareness quickly and in a timely manner. Planning is, above all, the basis of maintenance and management.

Determining objectives, scope, determining customer needs (user needs), defining tasks (main purchasing process), estimating time and cost (materials and delivery time), allocating work, and other activities are all part of planning. process. related to. What is the company's goal by completing this project? What is the organization's desired outcome? (Frese, 2019)

Researchers believe that project success requires a lot of planning in advance, including planning the execution process and key points, working on time, relocating and rescheduling. This means that initial planning is not enough (Chandra, 2010). Projects often go wrong or early solutions prove ineffective, forcing people to reinvent and replan. Accordingly, purchases will be reviewed periodically as appropriate. According to Freeze (2017), planning is a dynamic process that requires rapid rethinking when conditions change.

Contract Management

The customer's responsibilities in contract management include reporting changes to the service contract to the supplier, transferring the contract terms to the purchasing point for analysis and intervention, and finally managing and storing the contract and the agreement in accordance with the Data. (Kapila, 2018).

All of these activities are the main elements of the monitoring and control system within the legal system and designed to assist in delivery. Time (time), money (budget) and resources are the most important elements of planning, monitoring and control (performance) throughout the procurement process. As we mentioned before, the first two factors are important in the purchasing planning model. The contract management process can be viewed as a closed system in which plans and schedules change (if necessary) after adjustment (Meredith and Mantel, 2018).

The program must be installed under the control of the program, not something separate, imposed on it, or worse, against it. It is important to first determine the main points that need to be managed: space, cost and time, as well as the limits of keeping them. Time, priority, people and equipment efficiency must be tracked and measured for the project to be completed (Dryden, 2018). Proper planning of the implementation will give you the first sign that the original plan will not go as planned. By catching early signs, people can find backup options and/or put rescheduling on track (White 2010).

Empirical Review

Procurement Planning and Firm Performance

A study by Edgar and Niegel (2011) titled Procurement Planning in Developing Countries: An Analysis found that, in Ugandan experience, procurement accounts for 70% of the national budget, yet 90% of complaints about unfair workplaces are linked to unfair procedures. Lack of proper procurement planning, according to the government's Inspector General. In order for organizations to be competitive in the business world, they must be able to increase efficiency by changing the way they do business, creating appropriate production policies and focusing on key personnel in the market.

Demand Realization and Basis (PPRA, 2020), determining demand is the first step of the procurement planning phase. Product levels, strategic plans, production plans, work schedules, investment and budgeting, and purchasing strategies all help achieve this. Needs analysis is the

basis of market research to determine factors such as price, new or substitute products, new products, intense competition (including weather conditions that will affect the product market).

Karin (2018) believes that the lack of implementation of procurement plans is a major problem in the growth of procurement in Kenya. However, they did not specify where in the purchasing process this occurred. Although the above studies emphasize the necessity of effective needs assessment as the basis for effective purchasing, they do not address the relationship between needs assessment and benefit to the organization. Recent researchers have also emphasized the importance of the planning stage in purchasing as a matter of fairness and justice and acknowledged that purchasing management is affected by the ethical decision-making process (Schlosser, 2019).

Contract Management and Firm Performance

Kirungu (2011), in a study on factors affecting the use of free services at the Department of Financial and Legal Services in the Ministry of Finance, stated that 11% of respondents believed that contract management was an important impact adjustment. He believes that bureaucracy, contractual rules, and donor standards are the biggest obstacles to the implementation of charitable donations and lead to unequal distribution of funds among donors. The position of simultaneous use of purchases and models of donors and the Korean government will only lead to a serious situation.

Rutere (2010) also appears to blame the contract is managed for the delay in the CDF project in the Imenti North constituency. For example, Wambugu (2019) claimed that political interference affected the delivery of CDF programs in the Dagoretti constituency. Malala (2011), in her study of the impact of contract management on the performance of the CDF program in Kenya, noted that the government can only ignore the CDF's management of its personal peril.

The lack of commitment to good governance in procurement processes in CDF-funded projects and low involvement of local suppliers in the supply chain is present in the constituency, not only delays milestones in acquiring education but also undermines Kenya's Vision 2030. This leads to poor quality, poor health and medical facilities and most importantly the continued poverty for most Kenyans.

RESEARCH METHODOLOGY

The overall approach for integrating the many components of the study in a cohesive and logical fashion to successfully solve the research topic is referred to as research design. It is the plan on how to answer research questions (Dunn, 2010). The different types of research designs include: exploratory design, descriptive design, case study, experimental research design, longitudinal studies among others (Kasomo, 2011). Because the study collected quantitative and qualitative data that explains the nature and features of the influence of strategic procurement procedures on performance of energy firms, the study therefore used a descriptive research approach. According to Neuman (2010), a descriptive survey research design is one that is used to gather data on the current state of a phenomenon in order to explain what is present in terms of variables or circumstances in a scenario. This design is deemed acceptable by the researchers since it allows for the collection of trustworthy data that explains connections between the independent and dependent variables. It also aids in the development of quantitative measures that aid in the inference of probable connections among study variables (Patron, 2018).

This study target population was petroleum firms in Nairobi County. According to EPRA (2019), there are 73 licensed petroleum firms. These firms formed the unit of analysis while unit of observation was the four heads of department in procurement, finance, marketing and logistics of every firm. The heads of those departments play a critical role in decision making in procurement

decisions and defining the firm's future. These managers were selected since they are directly responsible in decision making in procurement activities and decision making of the firms. Therefore, the target population for the study was 292 managers in the 73 Petroleum firms in Kenya

Sampling is the process of selecting and analyzing a small number of people, things, or events to determine characteristics of the population (Woods, 2019). No sampling procedures was utilized because the study used a census methodology to collect data from the respondents. A census is a tally of all population elements, as per Kombo and Tromp (2019). The study's primary data collecting tool was questionnaires, which will include both open and closed-ended questions.

For the analysis of research variables, the Statistical Package for Social Sciences (SPSS) application version 21 was utilized. It contains descriptive statistical capabilities that help with variable response comparability and show response frequency clearly. It has a lot of data handling capabilities and a lot of statistical analyzing processes that can analyze tiny to huge data statistics, and it's more stable (Orodho, 2010). This method provides concise summaries of the sample data as well as manageable quantitative descriptions.

Correlation analysis was used to determine the link between the independent and dependent variables. By fitting a linear equation to the observed data, multiple linear regression aims to describe the connection between two or more explanatory factors and a response variable, where each value of the independent variable is linked with a value of the dependent variable (Ogula, 2019). As a result, this research is a good match for the approach and test. The proportion of variation in the predicted variable explained by variance in the predictor variables is known as R^2 , and the greater it is, the better (Kombo & Tromp, 2019).

Presentation, Analysis and Interpretation of Data

Response Rate

From the 292 questionnaires 266 were completely filled and returned hence a response rate of 91.2%. The response rate was considered as suitable for making inferences from the data collected. As indicated by Metsamuuronen (2017), a response rate that is above fifty percent is considered adequate for data analysis and reporting while a response rate that is above 70% is classified as excellent. Hence, the response rate of this study was within the acceptable limits for drawing conclusions and making recommendations.

Descriptive Statistics Analysis

Procurement Planning and Performance of Petroleum firms

The first specific objective of the study was to find out how procurement planning practice affects performance of petroleum firms in Nairobi City County, Kenya. The respondents were requested to indicate their level of agreement on the statements relating to procurement planning and performance of petroleum firms in Nairobi City County, Kenya. The results were as shown in Table 1

From the results, the respondents agreed that specification development plays a significant role in cost reduction. This is supported by a mean of 4.084 (std. dv = 0.997). In addition, as shown by a mean of 3.917 (std. dv = 0.831), the respondents agreed that implementation schedules play a significant role in cost reduction. Further, the respondents agreed that work plan plays a significant role in cost reduction. This is shown by a mean of 3.858 (std. dv = 0.563). The respondents also

agreed that specification development plays a significant role in improving customer satisfaction. This is shown by a mean of 3.831 (std. dv = 0.851).

With a mean of 3.751 (std. dv = 0.935), the respondents agreed that implementation schedules play a significant role in improving customer satisfaction. From the results, the respondents agreed that work plan plays a significant role in improving customer satisfaction. This is supported by a mean of 3.734 (std. dv = 0.892). In addition, as shown by a mean of 3.712 (std. dv = 0.873), the respondents agreed that specification development play a significant role in attaining timely delivery. Further, the respondents agreed that implementation schedules play a significant role in attaining timely delivery. This is shown by a mean of 3.687 (std. dv = 0.745).

Table 1: Procurement Planning and Performance of Petroleum Firms

	Mean	Std. Dev.
Specification development plays a significant role in cost reduction	4.084	0.997
Implementation schedules play a significant role in cost reduction	3.917	0.831
Work plan plays a significant role in cost reduction	3.858	0.563
Specification development plays a significant role in improving customer satisfaction	3.831	0.851
Implementation schedules play a significant role in improving customer satisfaction	3.751	0.935
Work plan plays a significant role in improving customer satisfaction	3.734	0.892
Specification development play a significant role in attaining timely delivery	3.712	0.873
Implementation schedules play a significant role in attaining timely delivery	3.687	0.745
Aggregate	3.812	0.832

Contract Management and the Performance of Petroleum Firms

The second specific objective of the study was to determine the effect of contract management on the performance of petroleum firms in Nairobi City County, Kenya. The respondents were requested to indicate their level of agreement on various statements relating to contract management and the performance of petroleum firms in Nairobi City County, Kenya. A 5-point Likert scale was used where 1 symbolized strongly disagree, 2 symbolized disagree, 3 symbolized neutral, 4 symbolized agree and 5 symbolized strongly agree. The results were as presented in Table 2.

From the results, the respondents agreed that monitoring the contract plays a significant role in cost reduction. This is supported by a mean of 3.943 (std. dv = 0.981). In addition, as shown by a mean of 3.866 (std. dv = 0.850), the respondents agreed that dispute resolution plays a significant role in cost reduction. Further, the respondents agreed that evaluating the contract plays a significant role in cost reduction. This is shown by a mean of 3.731 (std. dv = 0.914).

The respondents also agreed that monitoring the contract plays a significant role in improving customer satisfaction. This is shown by a mean of 3.696 (std. dv = 0.947). With a mean of 3.689 (std. dv = 0.856), the respondents agreed that dispute resolution plays a significant role in improving customer satisfaction. From the results, the respondents agreed that evaluating the contract play a significant role in improving customer satisfaction. This is supported by a mean of 3.654 (std. dv = 0.897). In addition, as shown by a mean of 3.634 (std. dv = 0.723), the respondents agreed that monitoring the contract plays a significant role in attaining timely delivery. Further,

the respondents agreed that evaluating the contract play a significant role in attaining timely delivery. This is shown by a mean of 3.587 (std. dv = 0.897).

Table 2: Contract Management and the Performance of Petroleum Firms

	Mean	Std. Dev.
Monitoring the contract plays a significant role in cost reduction	3.943	0.981
Dispute resolution plays a significant role in cost reduction	3.866	0.850
Evaluating the contract plays a significant role in cost reduction	3.731	0.914
Monitoring the contract plays a significant role in improving customer satisfaction	3.696	0.947
Dispute resolution plays a significant role in improving customer satisfaction	3.689	0.856
Evaluating the contract play a significant role in improving customer satisfaction	3.654	0.897
Monitoring the contract plays a significant role in attaining timely delivery	3.634	0.723
Evaluating the contract play a significant role in attaining timely delivery	3.587	0.897
Aggregate	3.788	0.873

Performance of petroleum firms in Nairobi City County, Kenya

The respondents were requested to indicate their level of agreement on various statements relating to performance of petroleum firms in Nairobi City County, Kenya. A 5 point Likert scale was used where 1 symbolized strongly disagree, 2 symbolized disagree, 3 symbolized neutral, 4 symbolized agree and 5 symbolized strongly agree. The results were as presented in Table 3.

From the results, the respondents agreed that the general performance of their firm has been improving over the years. This is supported by a mean of 3.896 (std. dv = 0.865). In addition, as shown by a mean of 3.819 (std. dv = 0.945), the respondents agreed that the profitability of their firms has been increasing in the last three years. This is shown by a mean of 3.819 (std. dv = 0.945). The respondents also agreed that the market share of their firm has increased over the years. This is shown by a mean of 3.798 (std. dv = 0.611). With a mean of 3.731 (std. dv = 0.908), the respondents agreed that there are few customer complaints on the quality of their services.

From the results, the respondents agreed that the level of customer satisfaction has improved over the years. This is supported by a mean of 3.723 (std. dv = 0.893). In addition, as shown by a mean of 3.711 (std. dv = 0.872), the respondents agreed that they are satisfied with the performance level of their organization

Table 3: Performance of Petroleum Firms in Nairobi City County, Kenya

	Mean	Std. Dev.
The general performance of our firm has been improving over the years	3.896	0.865
The profitability of our firms has been increasing in the last three years	3.819	0.945
The market share of our firm has increased over the years	3.798	0.611
There are few customer complaints on the quality of our services	3.731	0.908
The level of customer satisfaction has improved over the years	3.723	0.893
Am satisfied with the performance level of our organization	3.711	0.872
Aggregate	3.772	0.841

Inferential Statistics

Correlation Analysis

The present study used Pearson correlation analysis to determine the strength of association between independent variables (procurement planning, and contract management) and the dependent variable (performance of petroleum firms in Nairobi City County, Kenya) dependent variable. Pearson correlation coefficient range between zero and one, where by the strength of association increase with increase in the value of the correlation coefficients.

Table 4: Correlation Coefficients

		Organization Performance	Procurement Planning	Contract Management
Organization Performance	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	96		
procurement planning	Pearson Correlation	.842**	1	
	Sig. (2-tailed)	.002		
	N	96	96	
contract management	Pearson Correlation	.910**	.179	1
	Sig. (2-tailed)	.000	.081	
	N	96	96	96

The results revealed that there is a very strong relationship between procurement planning and performance of petroleum firms in Nairobi City County, Kenya ($r = 0.842$, p value =0.002). The relationship was significant since the p value 0.002 was less than 0.05 (significant level). The findings conform to the findings of Medlin and Green Jr. (2019) that there is a very strong relationship between procurement planning and organization performance.

The results also revealed that there was a very strong relationship between contract management and performance of petroleum firms in Nairobi City County, Kenya ($r = 0.910$, p value =0.000). The relationship was significant since the p value 0.000 was less than 0.05 (significant level). The findings are in line with the results of Raghupathy (2017) who revealed that there is a very strong relationship between contract management and organization performance

Regression Analysis

Multivariate regression analysis was used to assess the relationship between independent variables (procurement planning, and contract management) and the dependent variable (performance of petroleum firms in Nairobi City County, Kenya)

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.934	.872	.873	.10120

a. Predictors: (Constant), procurement planning, and contract management

The model summary was used to explain the variation in the dependent variable that could be explained by the independent variables. The r-squared for the relationship between the independent variables and the dependent variable was 0.872. This implied that 87.2% of the variation in the dependent variable (performance of petroleum firms in Nairobi City County, Kenya) could be explained by independent variables (procurement planning, and contract management).

Table 6: Analysis of Variance

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	8.027	4	2.007	27.88	.000 ^b
Residual	6.568	91	.072		
Total	14.595	95			

a. Dependent Variable: performance of petroleum firms

b. Predictors: (Constant), procurement planning, and contract management

The ANOVA was used to determine whether the model was a good fit for the data. F calculated was 27.88 while the F critical was 2.472. The p value was 0.000. Since the F-calculated was greater than the F-critical and the p value 0.000 was less than 0.05, the model was considered as a good fit for the data. Therefore, the model can be used to predict the influence of procurement planning, and contract management practices on performance of petroleum firms in Nairobi City County, Kenya.

Table 7: Regression Coefficients

Model	Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1 (Constant)	0.205	0.038		5.395	0.000
Procurement planning	0.486	0.107	0.487	4.542	0.001
Contract management	0.430	0.091	0.431	4.725	0.000

a Dependent Variable: performance of petroleum firms in Nairobi City County

The regression model was as follows:

$$Y = 0.205 + 0.486X_1 + 0.430X_2 + \varepsilon$$

The results also revealed that procurement planning has significant effect on performance of petroleum firms in Nairobi City County, Kenya, ($\beta_1=0.486$, p value= 0.001). The relationship was considered significant since the p value 0.001 was less than the significant level of 0.05. The findings conform to the findings of Medlin and Green Jr. (2019) that there is a very strong relationship between procurement planning and organization performance

In addition, the results revealed that contract management has significant effect on performance of petroleum firms in Nairobi City County, Kenya ($\beta_1=0.430$, p value= 0.000). The relationship was considered significant since the p value 0.000 was less than the significant level of 0.05. The findings are in line with the results of Raghupathy (2017) who revealed that there is a very strong relationship between contract management and organization performance.

Conclusions

The study concludes that procurement planning has a positive and significant effect on performance of petroleum firms in Nairobi City County, Kenya. Findings revealed that specification Development, implementation Schedules and work Plan influences performance of petroleum firms in Nairobi City County, Kenya.

The study also concludes that contract management has a positive and significant effect on performance of petroleum firms in Nairobi City County, Kenya. Findings revealed that monitoring the Contract, dispute Resolution and evaluating the Contract influences performance of petroleum firms in Nairobi City County, Kenya.

Recommendations

This study recommends that the management of energy firms in Nairobi City County should; develop a standardized process for specification development that involves cross-functional teams, including technical experts, procurement specialists, and end-users. Clearly define technical specifications, quality standards, and performance expectations for procurement items to ensure they meet the firm's requirements.

Implement a rigorous vendor appraisal process that evaluates potential suppliers based on criteria such as quality, reliability, financial stability, and compliance with industry standards and regulations. Maintain a well-documented supplier database that includes performance metrics, historical data, and evaluations to inform vendor selection decisions.

Suggestions for Further Studies

The study found that the independent variables (procurement planning and contract management) could only explain 87.2% of performance of energy firms in Nairobi City County, Kenya. This study therefore suggests research on other factors affecting performance of energy firms in Nairobi City County, Kenya

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