

**EFFECT OF SUPPLIER SELECTION CRITERIA ON ORGANIZATIONAL
PERFORMANCE OF THE COUNTY GOVERNMENT OF KISUMU**

BY

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FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF
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DECLARATION

I declare that this research project is my original work and has not been submitted to any other university.

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MBA/BE/00039/2015 Signature Date

This research project has been submitted with my approval as the university supervisor.

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I would like to express my appreciation to my supervisor Dr. Obura who had the patience in directing and constructively criticizing my work. I owe special thanks to them for their insightful guidance and support which resulted in successful completion of the study.

I wish to offer utmost gratitude to the Almighty for giving me the strength, health sound mind and all that He provided during this period. I know it's in Him, by Him and through Him that I came to the completion of this program in good time, thank you God.

I am also grateful to each and every respondent who took their time to fill the questionnaires thank you.

DEDICATION

I dedicate this project to my parents Mr. William Ogendo and Mrs. Risper Ogendo for instilling the virtue of hard work from an early age. This also goes to my husband Philip Otieno Mbaso and our lovely daughters Joy Noel and Hope Rose for their patience and moral support.

ABSTRACT

Supplier selection has become an integral function of any organization, seeking to identify, evaluate and contract suppliers. Organizations are often outsourcing non-core activities, leading to dependence and reliance on suppliers. However, question arises as to the criteria used by public sector in selecting and evaluating suppliers. It is in public domain that public sector's runaway expenditure and tendency of delivering substandard goods, works and services. The County Government of Kisumu has over the years experienced, none completion of works such as roads, which are often viewed as sub-standard or terminated due to none completion. Thus emphasis on the importance of supplier selection criteria in public entities cannot be undermined. The purpose of the study therefore was to find out the effect of supplier selection criteria on organizational performance of County Government of Kisumu. To achieve this objective, the study used the following specific research objectives; to establish the relationship between financial ability and organizational performance; to determine the relationship between production capability and organizational performance and to examine the relationship between human resource base and organizational performance. The study used stratified sampling technique, where 132 respondents representing the target population of 200. The population included; Procurement (38), Engineering (20) and Finance staff (74). The researcher analyzed collected data using regression analysis was used to establish the effect of Supplier selection criteria on organizational performance of County Government of Kisumu. The researcher used questionnaire as the primary research instrument to collect data. On the validity of the instrument, the researcher content validity, while reliability was established by use of Cronbach's Alpha coefficient that yielded values of 0.812, 0.778, 0.712 and 0.704 for financial ability, production capability, Human resource base and organizational performance respectively, given the threshold values were above 0.7 which was acceptable implying the instrument, was reliable. The researcher then analyzed the where descriptive statistics were generated in terms of frequencies, percentages and means among others and results were presented in and frequency tables. The analysis of the study revealed that; financial ability has a significant relationship with organizational performance ($r=.397$; $p=.012$), production capability has a significant relationship with organizational performance ($r=.603$; $p=0.000$) and human resource base also a significant relationship with organizational performance ($r=.703$; $p=.012$). Hence County Government of Kisumu should emphasize the use of financial ability, production capability and human resource base as supplier selection criteria in order to enhance overall organizational performance. The study suggests that the county should invest heavily on supplier selection policies, in order to make the stakeholders of the county have confidence in the level of performance. Further studies should be conducted to relate supplier evaluation criteria and organizational performance in other public procuring entities. Lastly, further study may also conduct supplier selection criteria in media industry.

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ABBREVIATIONS

EDI - Electronic Data Interchange

RFID – Radio Frequency Identification

HRM - Human Resource Management

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Fig 1: Conceptual framework (Supplier selection criteria and organizational performance)

CHAPTER ONE

INTRODUCTION

This section highlights the background, statement of the problem, objectives and conceptual framework of the study.

1.1 Background of the study.

Supplier selection is one of the classic areas of research in supply chain management. It's indicated in past reviews, of literature on supplier selection that there is a strong diversity in the supplier selection and the systematic approaches to supplier selection methodology (Ho et. al., 2010).

From a global perspective, supplier selection encompasses the myriad activities used to evaluate capability of potential suppliers and then to select the to configure a buyer a buyer's supply chain for long-term competitive advantage (Choi and Hartley, 1996; Vonderemse and Tracey 1999).

Internationally, purchasing is a major exercise. In USA, the total dollar magnitude of all purchases by businesses exceeded the Gross National Product in 1995. Purchasing transactions take 55% of the organizations revenue. Supplier selection becomes important thus because it involves large cash flows (Cheraghi, Dada Shzadeh & Subramanian, 2007).

In selecting the right suppliers, an organization establishes a set of evaluation criteria to be used for comparison of potential suppliers. Supplier selection is key to procurement process and represents a major opportunity for an organization to reduce costs, increase effectiveness and enhance customer satisfaction. Weber (2008), noted that organizations are constantly under pressure to find ways to cut material and production costs through engaging in strategic supplier selection process and evaluation.

According to Nadir (2012) supplier evaluation is perceived as a tool which provides the buying firm with a better understanding of "which suppliers are performing well" but studies reveal that after having carried out an in depth supplier evaluation plus appraisal coupled with the enactment of the Public Procurement and Disposal Act of 2005 and other policies on supplier evaluation,

inefficient still exist ranging from supplies being made halfway or even termination of contracts before conclusion.

In Malaysia, for instance Junli, (2008) conducted a study to assess the impact of supplier evaluation on business performance among private hospitals. In Nigeria, the study by Akenroye et. al. (2012) on supply chain practices identified supplier evaluation as a critical supply chain activity that every organization must engage in. In Kenya, the Public Procurement and Asset Disposal Act, 2015 and Regulations 2006 serves as a guide that provides guideline and procurement procedure and supplier evaluation for Public procuring entities (Rotich, 2015).

Lebens & Euske (2006), provide a set of definitions to illustrate the concept of organizational performance: performance is a set of financial and non-financial indicators which offer information on the degree of achievement of objectives and results. According to (Myla, 2010) organizational performance can be indicated by the cost effective control alternatives applied to rectify cost inefficiencies or, in short, minimize cost while maximizing profits.

Kaizen theory emphasis on continuous improvement is a core principle that should be adopted by organizations in ensuring t; overall performance of organization.

The study is anchored on stakeholder theory, which indicates that the supplier is a stakeholder to the procuring entity as well as the citizens who are the financiers who expect in getting essential amenities while achieving value for money. Ng'an'ga (2014) asserted that it is critical that supplier selection process be able to bring together all the stakeholders into a common collaboration that generates by buy-in and their judgment.

For a long time, the traditional approach to supplier selection has been to select solely on the basis of price. The criteria have however evolved in the recent years to include factors such as financial ability, and production capability and human resource base have been added to the traditional factors of quality, delivery and cost. Mwikali & Kavale (2012), in their study revealed that cost factors, technical capability, quality assessment, organizational profile, service levels and risk factors in order of relative importance are key factors affecting supplier selection in procurement management.

The Constitution of Kenya (2010) envisioned the devolved units, which lead to the creation of county governments in 2013. This saw the creation of County Government of Kisumu (No.042). The Counties were tasked with service delivery to its citizens in the devolved units. Its boundaries stretches from Nandi County to the North East, Vihiga County in the North, Kericho county in the East, Nyamira and Homabay Counties to the south and Siaya County to the West. The County currently has seven (7) sub-counties and is under the leadership of the Governor. The system was meant to decentralize authority to bring power to the people and promote self-governance through effective capacity building. The main objective was to address the challenges of poor service delivery and unaccountability.

Ntayi (2009) observes that millions of dollars get wasted due to inefficient and ineffective procurement structures, policies and procedures as well as failure to impose sanctions of procurement rules thus resulting in poor service delivery.

The County Governments are the largest purchasers of goods and services spending up to 30 %-60% revenue. It is essential that supplier selection criteria be taken into account since spending is only through public funding and enhanced through revenue collection and other instances donor funding.

Previous studies reviewed were on private sector, public universities and parastatals not much has been done on County Governments and the studies on County Governments focus were on the traditional evaluation criteria. Hence, this creates a gap for study on effect of supplier selection criteria on organizational performance in County Government of Kisumu.

Supplier selection has become an integral function of any organization, seeking to identify, evaluate and contract suppliers. Organizations are often outsourcing non-core activities, leading to reliance and dependence on suppliers. However, question arises as to the criteria used by public sectors in selecting and evaluating suppliers. It is in public domain that public sector's runaway expenditure and tendency of non-delivery or delivery of substandard goods, works and services. The purpose of the study therefore was to find out the effect of supplier selection criteria on organizational performance of County Government of Kisumu. To achieve this objective, the study used the following specific objectives; To establish the influence of financial ability on organizational performance; to determine the influence of production capability on

organizational performance and to examine the influence of human resource base on organizational performance. For the purpose of this study, financial ability, production capability and Human resource base (personnel) are the criteria to be focused on. Various studies have been conducted on supplier selection in public institutions, but not much has been done on public sector, and more specifically the County Governments.

1.2 Statement of the Problem

Supplier selection has become a crucial function for any procuring entity, seeking to identify, evaluate and contract competent suppliers. This is because organizations are increasingly focusing on the core competencies and outsourcing the non-core activities in order to gain competitive advantage. Service delivery through increasing infrastructure, county planning and development and enhancing the health sector are key to improving livelihoods of the citizens of Kisumu. However, it is in public domain on the runaway expenditure by public sectors in sourcing for goods, works and services. This more often leads to delivery of sub-standard goods, works and service, incomplete orders, termination of procurement processes and contracts which according to Public Procurement and Regulatory Authority are supplier related. Further it is argued that poor supplier selection criteria can cost a firm millions of losses and inexplicable damages on reputation and future sales. The question arises in this case as to what criteria the County Governments use in selecting and evaluating suppliers in order to achieve superior performance. According to the Public Procurement and Asset Disposal Act (2015), procuring entities should consider qualifications, experience, capability, resources and equipment as supplier selection criteria. These are expansion of the traditional supplier selection criteria of quality, price and delivery to include; financial ability, production capability and human resource base. It is imperative to note the need to address supplier selection criteria in the organization as this would undermine the objective of the devolved function. Previous studies reviewed were on private sector, public universities and parastatals not much has been done on County Governments and the studies on County Governments focus were on the traditional evaluation criteria. It is therefore against this background that the study seeks to determine the effect of supplier selection criteria on organizational performance of County Government of Kisumu.

1.3 Objectives of the Study

1.3.1 General Objective

The objective of the study is to establish the effect of supplier selection criteria and organizational performance of the County Government of Kisumu.

1.3.2 Specific Objectives

1. To establish the influence of financial ability on organizational performance.
2. To determine the influence of production capability on organizational performance.
3. To examine the influence of human resource base on organizational performance.

1.4 Hypotheses

H0₁: There is no influence of financial ability on organizational performance.

H0₂: There is no influence of production capability on organizational performance.

H0₃: There is no influence of human resource base on organizational performance.

1.5 Scope of the study

The study was conducted in County Government of Kisumu. Focus was restricted on personnel from Finance, Engineering and procurement staff in public institutions under the county. The study was intended to take place in a period of three months within the months of November, December, 2017 and January, 2018.

1.6 Justification of the study

The study would be significant to suppliers especially in the small and medium size categories as it would shed light on what County Government of Kisumu consider in a supplier before selecting potential suppliers. The study would also benefit the organization in enhancing effectiveness and efficiency in public entities. And finally make a contribution to the field of knowledge on supplier selection and organizational performance.

1.7 Conceptual framework

Conceptual framework, according to (Mugenda and Mugenda, 2003), refers to a conceptualization of the relationship between variables in the study and it is shown graphically or diagrammatically.

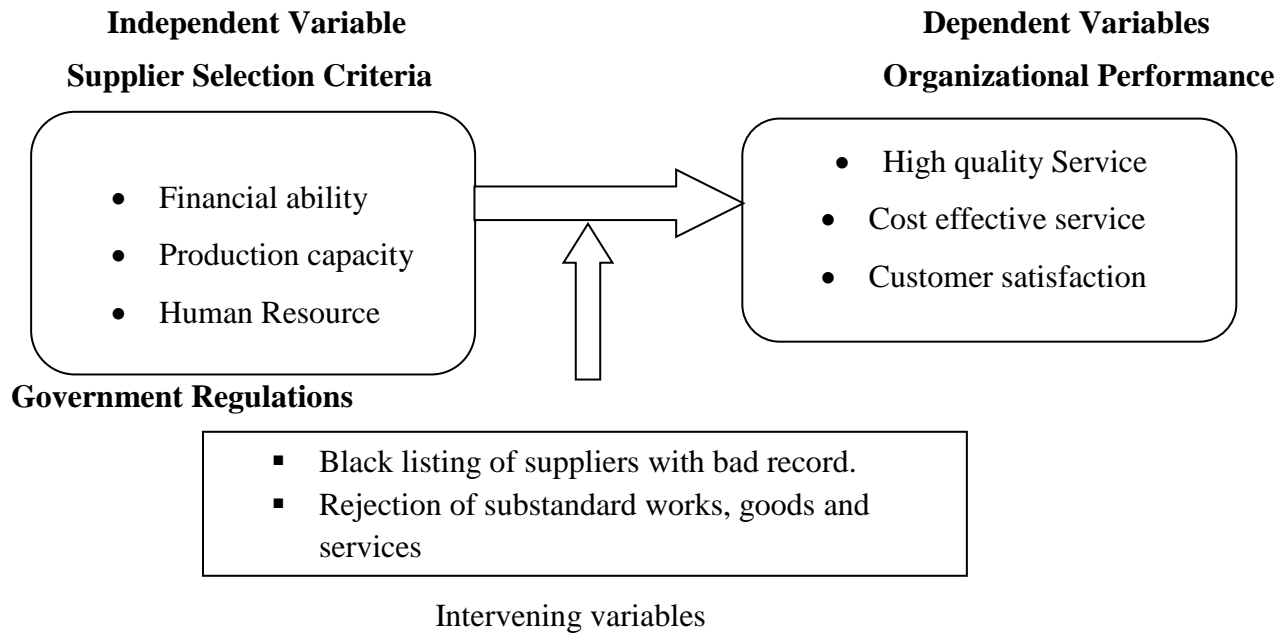


Figure 1: Supplier selection criteria and organizational performance
Source: Adapted from Hildah (2012)

In the conceptual framework above shows the dependent variable, organizational performance affected by the independent variable supplier selection criteria which has three elements namely; financial ability, production capacity and Human Resource Base.

The stated independent variable elements have a direct effect on Organizational performance of County Government of Kisumu through; high quality performance, cost effective service and customer satisfaction. Governmental regulations such as; blacklisting of suppliers with bad record and posted on Public Procurement Regulatory Authority, reduces the instances of contracting non-performing suppliers and rejection of sub-standard works, goods and services as an option of the Inspection and acceptance committee as stipulated in the Public Procurement and Asset Disposal Act, 2015.

CHAPTER TWO

LITERATURE REVIEW

2.1 Theoretical literature

This section highlights the principles and concepts that have been explored and brought out by various authors in existing literature on supplier selection and organizational performance.

2.1.1 Stakeholder Theory

Stakeholder theory detailed by Freeman (1984), is a theory of organizational management and business ethic addressing morals and values in managing an organization. He further identifies and models the groups which are stakeholders of an organization, describing and recommending ways by which the management can give due interest to these groups. It therefore attempts to address the “Principle of Who or What really counts”.

Firm’s traditional view of stakeholders is that they are the owners of the company, and the firm has a binding fiduciary to put their needs first, to increase value for them. However, stakeholder theory argues that there are other parties involved, including political groups, governmental bodies, financiers, suppliers, trade unions, communities, employees and customers. In some instances, even competitors are considered as stakeholders – their status being derived from their capacity to affect the firm and its other morally legitimate stakeholder (Gesteland, 2005).

Suppliers, as viewed in stakeholder theory, are crucial to the success of any firm, for raw materials or inputs will determine the quality of final products and eventually the price. The firm becomes the customer to the supplier and is therefore important to the survival and success of the supplier.

Stakeholder theory by Freeman (1984), suggests that any organization or business, in order to thrive exist in an environment including other stakeholders and not in a vacuum. Therefore, an organization requires stakeholders or investors to finance its operations, suppliers to supply raw materials as input for the processing into final products, employees for provision of manpower, customers to purchase finished products and services and a community within which they thrive.

The Stakeholder theory by Freeman (1984) is relevant in supplier selection, as it recommends that an organization should realize that suppliers have a stake in the organization. Suppliers are viewed as a source of input in form of raw materials, works and services to the organization, and should be treated as part of the firm's stakeholder network will respond positively when the client is in need. Therefore, it's through the process of supplier selection criteria, that the firm has the obligation to select suppliers who will provide goods, works and services in the long term.

2.1.2 Kaizen Theory

Kaizen is Japanese word, commonly translated to mean 'continuous improvement'. Kaizen continues to be a successful practical and philosophical aspect of several well-known Japanese corporations, and has for several years been interpreted and adopted by organizations all over the world.

Imai, (1986), Kaizen is a core principle of quality management generally, and specifically within the methods of 'Lean Manufacturing' and Total Quality Management. Kaizen is viewed as way of thinking, working and behaving, embedded in the philosophy and values of the organization. Kaizen should be lived rather than imposed or tolerated, at all levels. Key concepts of Kaizen should be adopted in improving everything that everyone does in every aspect of the organization in every department, every minute of every day, evolution rather than revolution; continually making small, 1% improvements to 100 things is more effective, less disrupting and more sustainable than improving one thing by 100% when the need becomes unavoidable and everyone involved in a process or activity, however apparently insignificant, has valuable knowledge and participates in a working team or Kaizen group.

Every employee is expected to participate, analyzing, providing feedback and suggesting improvements to their area of work. Every employee is empowered to participate fully in the improvement process: taking responsibility, checking and coordinating their own activities. Management practice enables and facilitates this and every employee is involved in the running of the company, and is trained and informed about the company. This encourages commitment and interest, leading to fulfillment and job satisfaction (Maurer Robert, 2012).

Like any methodology however, poor interpretation and implementation can limit the usefulness of Kaizen practices, or worse cause them to be counter-productive. Kaizen is unsuccessful typically where: Kaizen methods are added to an existing failing structure, without fixing the basic structure and philosophy; Kaizen works best when it is 'owned' by people, who see the concept as both empowering of individuals and teams, and a truly practical way to improve quality and performance, and thereby job satisfaction and reward. As ever, such initiatives depend heavily on commitment from above, critically: to encourage and support Kaizen and to ensure improvements produce not only better productivity and profit for the organization, but also better recognition and reward and other positive benefits for employees, whose involvement drives the change and improvement in the first place.

Imai (1986) introduced the world to continuous improvement through his book Kaizen. The key to Japan's competitive success in a working environment. Kaizen means continuous improving involving everybody.

The theory is relevant Kaizen and supply chain management. Kaizen calls for everyone in the organization to work for constant and gradual improvement in every process. Since process span supply chains, we believe Kaizen should be extended to calling for everyone in the chain to work for constant and gradual improvement in every process. When a new standard is achieved, management should make certain it is maintained and conditions are present to ensure attainment of higher standards,

Kaizen improvement is, by Imai (1986) definition, a long lasting improvement resulting from team efforts focused on processes. Since it draws from existing employees, it usually requires less investment compared to the other management approaches, but great internal efforts is maintained.

The theory is relevant in organizational performance, as it advocates every member of the organization to work towards constant and gradual improvement in every process. It emphasizes long lasting improvement through team efforts and focuses on process, geared towards improving the overall organizational performance through gradual improvements.

2.1.3 Supplier Selection

Supplier evaluation has gained wide world attention, gaining popularity among practitioners and even scholars, (Humphrey, 2003). Supplier selection is a crucial activity for any organization seeking to identify, evaluate and engage suppliers (Weber and Current, 1991). The term evaluation is more often used interchangeably with selection. The process of supplier selection utilizes a large proportion of firm's financial resources. Therefore, it is expected that the resulting contracting relationship between the procuring entity and supplier achieves expected returns and value for money.

According to Gordon (2008), supplier evaluation refers to the practice of approving and evaluating potential suppliers using quantitative methods to make sure that the best classes of suppliers are made available to supply products and services to an organization. Hald and Ellegaard (2011) define supplier evaluation as "the process of quantifying the efficiency and effectiveness of supplier action." This means that supplier evaluation is a process of quantifying the abilities of the supplier and the buying institution conducts evaluation to stimulate the behaviour of the supplier. Possible changes in behaviour range from implementation of green practices, improving social responsibility, improving quality, improving efficiency to lower costs, among others.

Ng'ang'a (2014) established that competition necessitates selecting carefully suitable suppliers for collaboration. It is critical that supplier selection process be able to bring together all of the stakeholders into a common collaboration that generates buy-in and their judgments", comments and evaluation be captured through the process as well. Decision is made from the suppliers who have passed the qualification requirements and are eligible for contracts award.

Kannan and Tan (2011) found out that the supplier selection is a vital role of the procurement function because a firm's suppliers can largely affect price, reliability delivery and availability of products. Rashid (2014) explains that firms should select reliable suppliers and maintain strategic alliances with them. This leads to quality improvement and growth in the market share.

The traditional approach of supplier selection used to consider multiple suppliers and one main criterion, the price. However, the market has moved towards contracting a single supplier

selected by a means of a multiple criteria (Gallego et. all, 2011). Munyua (2012) observed that in order for supplier selection to work as an advantage to an organization, there is the use of competitive sourcing initiatives which include: tenders, bidding, supplier analysis, and supplier firm collaboration. These initiatives work best at ensuring the best supplier is selected which in return help improve the supply chain performance. Kannan, Leong and Tan, (2006) noted that supplier selection is a crucial purchasing activity for many firms as it could improve on the firm's resources and core competences.

However, Pontious, (2008), in a study conducted in Makerere University established that reduction in purchasing cost through effective supplier evaluations is one of the most significant purposes of procurement. On average, Public universities in Uganda spent 80% if their budges on activities related to the purchase of materials, hence cost reductions as a result of effective supplier evaluation allow the firm to pursue price competitive strategies in downstream markets and sustain growth throughout the entire supply chain stream.

Pearson and Ellram, (1995) observed that supplier selection is widely recognized as the most important responsibility of the purchasing function because the organizations. Supplier can affect the price, quality, delivery reliability and availability of its products.

Choi and Hartley (1996) in their study observed that supplier selection relies on multiple assessment techniques which include both quantitative and qualitative methods. The most common evaluation criteria used to select suppliers; financial health, expertise, operation performance metrics, business processes and practices, enabling behavior or cultural factors and risk factors.

Ellram (1990), proposed three criteria for supplier selection. These are financial statement of the supplier, organizational culture and strategy of supplier and technological state of supplier.

Chung et. al (2004), noted that the global competitive environment drives organization to be highly dependent on the supplier selection process. supplier selection is a crucial purchasing activity for many firms as it could improve on the firm's resources and core competencies (Hsu, Kannan, Leong and Tan, 2006).

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2.1.3 Organizational Performance

Organizations play a key role in any individual's life and hence, successful firms represent the cornerstone for developing nations. There is a general consensus that the concept of organizational performance is frequent in the empirical literature. The description of the concept is difficult because it has different connotations. There is no universally acceptable explanation of the concept.

Lebens & Euske (2006), provide a set of definitions to illustrate the concept of organizational performance: Performance is a set of financial and nonfinancial indicators which offer information on the degree of achievement of objectives and results. Performance is dynamic, requiring judgment and interpretation. Performance may be illustrated by using a causal model that describes how current actions may affect future results. Performance may be understood differently depending on the person involved in the assessment of the organizational performance (e.g. performance can be understood differently from a person within the organization compared to one from outside).

According to (Myla, 2010) organizational performance can be indicated by the cost effective control alternatives applied to rectify cost inefficiencies or, in short, minimize costs while maximizing profits. She further points out that the cost control initiatives should not impact the customer's perceived value, nor should they run afoul of safety laws.

Kariuki (2013) quoting Chitkara (2005) describes performance as the degree of achievement of a certain undertaking. It relates to pre-arranged goals and objective which form the task parameters.

According to Walker and Rowlinson (2008), the measurement of performance is the first step in being able to understand the weaknesses and strengths of a given system and put into place corrective actions. Developing an effective method of measuring the performance of procurement requires certain indicators to make evaluation possible. The indicators include efficiency.

According to Barsemoi, Mwangagi and Asienyo (2014), poor procurement performance contributes to the decrease in profitability in private sector hence is a major hindrance to the realization of organizational growth as it leads delays in delivery, low quality goods and services in defects. In private and public sectors, poor procurement results from inability to embrace e-procurement, use traditional procurement activities between the requisition departments and the procurement department. Musau (2015) asserts that the performance in procurement by State Corporations in Kenya is heavily influenced by the implementation of inventory optimization, especially where e-procurement systems are used.

For supplier evaluation to be objective and transparent process, it needs to be conducted using set criteria so as to ensure standardization in the evaluation. The development of appropriate criteria that captures the interests of the buyer is one of the indicators of procurement performance (Nair, Jayram and Das ,2005).

2.2 Empirical Literature

2.2.1 Financial Ability and Organizational Performance

The main objective of financial appraisal in a procurement process is to scrutinize the supplier's financial ability and determine the level of risk that it would represent to the organization.

A study conducted by Mutai & Okello (2016), on effect of supplier evaluation on performance of procurement function of Public Universities campuses in Kericho County. To achieve the objective of the study, the three hypotheses tested were supplier quality commitment, supplier competence and financial stability. The findings revealed that financial capacity had a significant effect on procurement performance, thus should be considered when awarding supply contracts to suppliers.

Pamela (2013), asserts that supplier financial capacity expertise is one of the key factors which determine the eventual performance of both the supplier and procurement performance. This was confirmed in her study on the determinants of supplier selection and evaluation in Pakistan Telecom Industry, also indicating a need for strategic alliances for improved performance of the parties.

Gordon (2006) concurs that the financial criteria of supplier appraisal can give an important insight into supplier performance and supplier business practices which help reduce business risk, especially given firms' increasing dependence on its key suppliers. A supplier who is unused to pursuing continuous improvement may be unable to keep up with its buyers' increasing requirements for better, cheaper, faster goods and services. Some of the supplier risks that appraisal can mitigate on include: financial, operational, increased geographic distance and the performance of sub-tier suppliers whom the prime supplier has no contact with or knowledge of Gordon (2008).

However, Wange and Cho (2007) argued that apart from financial stability, total cost ownership, quality, technical capability and competence are the most important criteria used when evaluating and selecting suppliers. The study also indicated that the supplier appraisal criteria used when evaluating and selecting suppliers influence the performance of the procurement function.

On the other hand, Nantage (2011) asserts that strategic procurement management has a direct impact on the financial performance of financial Banks.

Murigi, (2014), established that different supplier evaluation criteria and given different importance when selecting potential suppliers with financial stability, technical competence and quality control and management seen as major criteria in selecting suppliers.

Ellram (1990), proposed three criteria for supplier selection. These are; the financial statement of the supplier, organizational culture and strategy of supplier, and the technological state of supplier.

Kavale and Mwikali (2012), indicated that the choice of criteria in supplier evaluation and selection process has a great influence on procurement performance.

Several studies conducted were based on private sector and parastatals whereas not much was focused on the financial ability as selection criteria in evaluating the organizational performance county governments.

2.2.2 Production Capability and Organizational Performance

Chemjor R. (2015), in his study on effect of supplier evaluation on procurement performance of parastatals in Kenya. The study was guided by three specific objectives; to establish the criteria used for supplier evaluation in Parastatals in Kenya. Findings revealed that Parastatals in Kenya base their selection on following criteria; quality of the supplier services during, flexibility of the supplier, supplier efficiency in service delivery, supplier charges, constitution and the PPOA guidelines, information sharing between the organization and supplier, supplier technical capability, supplier profile, ability of the supplier to share confidential information, experience of the supplier in offering certain services/products as well as compliance with procurement procedures.

In their study, Mwikali and Kavale (2012) seeking to identify the factors affecting supplier evaluation illustrated that; cost, technical capability, quality assessment, organizational profile, service levels, supplier profile and risk factors are the major factors affecting selection of suppliers. Their study concluded that a cost criterion is a key factor affecting supplier selection for it dictates among many elements, the profit margins. Technical capability, quality of materials and the profile of the supplier are also closely considered.

The trend towards use of supply chain technologies is on a clear path forward. With almost daily technology advancement globally in every facet of the business, organizations need to synchronize by adopting and implementing new electronic commerce and supply chain technology in order to protect market share, not to mention improve market penetration (Blecken & Hellingrath, 2008).

Tan (2003), argued that it is important to choose suppliers based on the level of technological integration like EDI, RFID, ability of the supplier to identify a need as this enhances firms' competitiveness as well as level of flexibility in terms of payment, freight charges, discounts and order frequency.

The studies reviewed indicate that technical ability or production ability is rarely considered as evaluation criteria, hence the need to find out the effect the production capability on organizational performance in the county government.

2.2.3 Human Resource Base and Organizational Performance

Human Resource Management (HRM) has grown very popular over the past decades, and it is now a common characteristic for nearly all larger companies and many smaller ones.

According to Armstrong, the main aim of Human Resource Management is to provide that the organization can achieve success through people (Armstrong, 2006).

One of the reasons for this popularity is the assumption that Human Resource Management is a source for competitive advantage and will influence the organizational results and performance in a positive direction. The main idea behind the Human Resource Management-performance presumption is that Human Resource practices affect the employees' attitudes and behavior, which further affects the operational performance, such as productivity, quality and innovation, which in turn have a positive on effect on the financial and market performance. A large amount of empirical evidence supports such a positive relationship between Human Resource Management and organizational performance.

Without enlargement of Human Resource Strategic resource within the company, it will be difficult to assure long-term strategic future for the company even though financial resources might be sufficient (Lorange, 1986).

According to Barsemoi, Mwangagi and Asienyo (2014), some of the factors that contribute towards procurement performance in Kenya's private sector include staff competence, organizational structures that allow for open decision making, quality management systems and the use of information technology not only to ensure dissemination of information but also the accuracy of information reaching to all stakeholders.

Makabira and Waiganjo (2014) studied the role of procurement practices on the performance of

the Kenya National Police Service in Makueni County. They postulate that procurement planning, procurement controls, procurement monitoring and staff training are the major factors affecting procurement practices at the Kenya National Police Service.

In modeling the factors affecting procurement performance at the Ministry of Energy, a study by Kiage (2013), established that procurement planning, resources allocation, staff competency and contract management are the key variables that influence procurement.

Chemjor (2015), studies on effect of supplier evaluation on procurement performance of parastatals in Kenya. And recommended the need for competent personnel are in place to manage supply chain processes in the organization.

A study done by Kamenya (2014), on the relationship between supplier evaluation and performance in large food and beverage manufacturing firms revealed that there is a positive relationship between performance and supplier evaluation criteria. The study illustrated a need to consider the environment friendliness of the supplier capabilities of the supplier, price factors and employee capabilities which are significantly influencing performance of the procurement.

The studies indicate employee capabilities, competent employees and staff training have a positive effect on procurement performance, it is imperative to note that not much has been done on human resource base and its effect on organizational performance in County Governments.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This section highlights the research design, study area, sampling procedure and techniques, collection of data and analysis of the study.

3.2 Research Design

The research adopted Correlation research design which helps demonstrate association or relationships between phenomena.

3.2 Study area

The study area was conducted in County Government of Kisumu, which lies across the equator and covers total area of 2,085.8 Km² with a population of 968,909. Kisumu County stretches from Nandi County to the North East, Vihiga County in the North, Kericho County in the East, Nyamira County and Homa Bay County to the South and Siaya County to the West. The County currently has seven sub-counties. The study was conducted in Kisumu County which comprises one (1) County Headquarter, seven (7) Sub-Counties Kisumu West, Kisumu East, Seme, Muhuroni, Butere and Nyando and Nyakach. There is one teaching and referral hospital, (5) County referral hospital and 14 sub-county hospitals.

County Government of Kisumu covers a wide area, with a population of 968, 909 and still growing has the mandate to offer services to its citizenry. This involves outsourcing for suppliers and contractors for goods, works and services. It a public procuring entity which involves expenditure of tax payers money and is the third largest City in the Country after Nairobi and Mombasa.

3.3 Target population and sampling Procedure

The researcher targeted a population of 200 respondents and the sampling procedure was according to Krejcie and Morgan (1970) table see Appendix II.

3.3.1 Target Population

The target population of the study was the personnel under Procurement, Engineering and Finance from the following institutions: staff in major public hospitals, Ministries, City of Kisumu, County Public Service Board and County Assembly of Kisumu adding to 200 respondents.

3.3.2 Sample Size

Mugenda and Mugenda, (2003) define sampling as a process of selecting the number of subjects for a given which represents a larger group from which the subjects were selected while a sample is a smaller number of subjects obtained from accessible and representative population. The sample frame of the study includes a representative sample of the staff under Procurement, Engineer and Finance. The sample size was conducted as per Krejcie and Morgan (1970) table see Appendix II.

3.3.3 Sampling Technique

The researcher used proportionate sampling since respondents from each department are considered to have homogenous characteristics i.e

Unit	Population	Proportion	Sample
Finance	113	$\frac{113}{200} \times 132$	74
Engineering	30	$\frac{30}{200} \times 132$	20
Procurement	57	$\frac{57}{200} \times 132$	38
Total	200	-	132

Source (Adopted from Krejcie and Morgan (1970))

3.4 Data Collection

3.4.1 Sources of data

The researcher used secondary data for research findings.

3.4.2 Data Collection Procedure

The researcher collected primary data by the use of questionnaires. The researcher sought a letter of introduction, prior to administration of questionnaires. The researcher administered the instrument through personal visits to the selected respondents to address any issues arising, who were given a one-week time frame within which to respond thereafter, the questionnaires were collected for analysis. The study used questionnaires because it is cost effective and is also time-saving and such was distributed to the respondents in good time for collection.

3.4.3 Data Collection Instrument

Questionnaires are commonly used to obtain important information about the population (Mugenda and Mugenda, 2003). The researcher collected data using questionnaires with closed-ended and open-ended questions.

3.4.4 Reliability Tests for Data Collection Instruments

Mugenda & Mugenda (2003), assert that reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials. To minimize errors the researcher pre-tested the questionnaire. A pilot study was conducted using similar target population, but not the sample that was used for study to whom, the questionnaire was administered.

3.4.5 Validity tests for Data Collection Instruments

Content validity is a function of how well the dimensions or elements of concept have been captured (Sukaran, 2010). The researcher ensured content validity test is conducted on the data collection instrument.

3.5 Data Analysis

Data analysis involves uncovering underlying structures, extracting important variables, detecting any anomalies and testing any underlying assumptions, (Kombo & Tromp, 2009). Oladipo et. al (2015) assert that data analysis can be done using descriptive and advanced statistical analysis. All data collected was coded and tabulated on the basis of various objectives

and variables that measure them. The researcher analyzed data using correlation and descriptive analysis.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where;

Y - Organizational performance

β_0 - Constant

$\beta_1, \beta_2,$ and β_3 – Weights of each independent variable

X_1 - Financial ability

X_2 - Production capability

X_3 - Human Resource Base

ε -Error term

Source: Paul D. Allison, (1999)

3.6 Data presentation

After data analysis had been conducted, the researcher presented the data using tabulation: frequency distributions, charts and graphs.

3.7 Ethical Considerations

The researcher ensured that the content of questionnaires was confidential and also obtained a letter of consent before commencement of the study.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter discusses the results and discussions of the findings obtained from the field on the effects of supplier selection criteria on organizational performance in County Government of Kisumu. Descriptive and inferential statistics were used to discuss the findings of the study. The study targeted a population size of 132 respondents from which 130 filled in and returned the questionnaires making a response rate of 98.5% This response rate was satisfactory to make conclusions for the study.

The reliability test was done using the Cronbach's Alpha with all the constructs depicting a value of more 0.7, hence the instrument was reliable for use. Correlation analysis was used to test the correlation between individual indicators of supplier evaluation and Organizational performance while a multiple regression was used to test the overall effect of supplier evaluation on performance. ANOVA test was conducted to test the statistical significance of the overall effect of supplier evaluation on Organizational performance.

4.1.2 Reliability test

Table 4.1 Reliability Test.

Indicator	Cronbach's Alpha	No. of Items
Financial ability	0.812	3
Production capability	0.778	3
Human resource base	0.712	3
Organizational Performance	0.704	3

Source: Research findings (2018)

A pilot study was conducted establish the reliability of the research instruments and the results was established as per table 4.13 above. The Cronbach's Alpha reliability for supplier financial ability, Supplier production capability, Human resource base and organizational performance were computed which yielded; 0.812, 0.778, 0.712 and 0.704 respectively. With threshold value was above 0.7, it was concluded that the research instruments were reliable and hence could be used in the study.

4.2.1 General Information

Table 4.2: Gender of the respondents

Gender	Frequency	Percent
Male	84	64.6
Female	46	35.4
Total	130	100.0

Source: Research findings (2018)

From the data findings it was revealed that most of the respondents were male (64.6%) with a frequency of 84 respondents, while the female respondents with a frequency of 46 represented (35.4%) of the respondents. This indicates the number of male respondents to be more than that of the female respondents and thus the majority of the responses in each of the categories.

Table 4.3 Age of the respondents

	Frequency	Percent
18-25	18	13.8
26-30	20	15.4
31-35	31	23.8
36-40	27	20.8
41-50	21	16.2
Over 50	13	10.0
Total	130	100.0

Source: Research findings (2018)

In results indicated in table 4.2, established that 23.8% of respondents were aged between 31- 35, years, whereas 20.8% were aged between 36-40 years. For the ages between 41-50 years was represented by 16.2% of respondents, while 15.4% and 13.8% represented respondents between 26-30years and 18-25yearsrespectively. The respondents who were over 50 years represented on 10% of the overall participants. It was clear therefore that participants of the study had the required experience and awareness to understand and fill the questionnaire.

Table 4.4: Years of Service

	Frequency	Percent
Less than 1 Year	14	10.8
1-5 years	29	22.3
6-10 years	49	37.7
11 years and above	38	29.2
Total	130	100.0

Source: Research findings (2018)

The study sought to establish years of services of the respondents in the County Government of Kisumu, from the findings 29.2 % of the respondents indicated 11 years and above,37.7 % of the respondents indicated 6 to 10 years,22.3% of the respondents indicated 1 to 5yearswhereas 10.8% indicated less than a year. This therefore implied that most of the respondents had been in services for 6 to 10 years.

Table 4.5: Level of Management

	Frequency	Percent
Top level	33	25.4
Middle Level	68	52.3
Operational Level	29	22.3
Total	130	100.0

Source: Research findings (2018)

In table 4.5, it is indicated that most of the respondents (52.3%) were Middle level and 25.4% were from Top level, however, only 22.3% were in Operational level which reflects that the respondents have required expertise and awareness in the field of the study. The level of management indicated that all participants are qualified enough to participate in the study.

Table 4.6 Respondents Department/section

	Frequency	Percent
Procurement	38	29.23
Finance	74	56.9
Engineering	18	13.8
Total	130	100.0

Source: Research findings (2018)

The table above revealed that 56.9% of the respondents were working under the Finance department while 29.23% as the officers under Procurement department and 13.8% as officers working under engineering department of the County government of Kisumu. This implies that the researcher was able to collect information from the three departments / job titles of the respondents.

Table 4.7 Supplier rated on Financial Ability

	Frequency	Percentage
Yes	120	92.3
No	10	7.7
Total	130	100

Source: Research findings (2018)

The study sought to determine if the supplier should be rated on financial ability. From the findings 92.3% of the respondents indicated that they should be rated because it leads to; flexibility, timely delivery, quality supplies and works. On the other hand, whereas 7.7 % indicated that the supplier shouldn't be rated, this implies that a significant number of respondents agree that the supplier financial ability should be considered.

Table 4.8: Financial ability contributes to cost effective service delivery

	Frequency	Percent
Yes	113	86.9
No	17	13.1
Total	130	100.0

Source: Research findings (2018)

The study also sought to find out financial ability contributes to cost effective service delivery. The respondents in their opinion observed that financial ability contributes to cost effective service delivery with Yes represented by 86.9%. Seventeen (17No.) of respondents at a rate of 13.1% indicated that financial ability of supplier does not contribute to cost effective service delivery.

Table 4.9: Supplier rated on Human Resource base

	Frequency	Percent
Yes	83	63.8
No	42	32.3
Total	125	96.2
System	5	3.8
Total	130	100.0

Source: Research findings (2018)

From the findings, as indicated in table 4.9, clearly shows that 63.8% of the respondents agreed (Yes) that suppliers should be selected based on their human resource base, 32.3% indicated (No) whereas 5 respondents at a rate of 3.8% did not register their response.

Table 4.10: Supplier rated on Production capability

	Frequency	Percent
Yes	72	55.4
No	58	43.9
3	1	.8
Total	129	99.2
Missing System	1	.8
Total	130	100.0

Source: Research finding (2018)

The field research findings, on use of Supplier production capability as a selection criteria revealed that 55.4% (Yes), 43.9 %(No) and 0.8% did not register their response. Therefore, it's a clear indication that more the half of the County Government of Kisumu contractors and suppliers for goods, works and services are sourced and rated on their production capability. However, it is noted that 43.8 percent of the departments do not use production capability as a yard stick to source for service providers, hence there is need to incorporate production capability as a selection criteria in order to reduce the risks of non-performance and termination of works experienced by the procuring entity.

4.3 Level of Agreement on financial ability

Table 4.11: Level of agreement on financial ability as selection Criterion

Statement	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Mean	Stddeviation
The organization uses financial ability as supplier selection criteria	56	68	1	5	0	4.35	0.690
Choosing Supplier using Financial ability contributes to cost effective services	55	66	4	3	0	4.35	0.659
This supplier selection criteria has a positive effects on overall organizational performance	46	72	9	2	0	4.26	0.653

Source: Research Findings (2018)

The study sought to establish the level at which respondents agreed or disagreed with the above statement relating to Financial ability as a selection criterion, from the findings, the study established that majority of the respondents either strongly agreed or agreed. The organization uses financial ability as supplier selection criteria as shown by a mean of 4.35, Choosing Supplier using Financial ability contributes to cost effective services at a mean of 4.35 and These supplier selection criteria has a positive effect on overall organizational performance at a mean of 4.26. This therefore indicates that a majority agreed with financial ability as selection criteria.

4.3.1 Level of agreement on Production ability

Table 4.12: Level of agreement on Production Facilities as selection Criterion

Statement	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Mean	Stddeviation
The organization uses production capability as supplier criteria	19	64	15	31	1	3.53	1.036
Choosing supplier using production capability leads to high quality performance	36	60	15	11	1	3.79	1.002
This supplier selection criteria has a positive effect on overall organizational performance	38	60	15	11	1	3.98	0.924

Source: Research findings (2018)

The study sought to find out the level at which respondents agreed or disagreed with the above statements relating to Production facilities as a selection criterion. From the findings majority of the respondents agreed that the organization uses production capability as supplier criteria as shown by a mean of 3.53, Choosing supplier using production capability leads to high quality performance as shown in mean of 3.79, and most respondents strongly agree that the supplier selection criteria has a positive effect on overall organizational performance as shown by a mean 3.98.

4.3.2 Level of Agreement on Human resource base as a selection criterion

Table 4.13 Level of Agreement on Human Resource Base as selection criterion

Statement	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Mean	Stddeviation
The organization uses Human resource base as supplier selection criteria	48	46	12	23	0	3.92	1.087
Choosing suppliers using Human Resource base leads to the organizations customer satisfaction	25	71	10	23	0	3.76	0.966
This supplier selection criteria has a positive effective on overall organizational performance	57	42	11	20	0	4.05	1.070

Source: Research Findings (2018)

The study sought to establish the level at which respondents agreed or disagreed with the above statements relating to suppliers Human resource base as a selection criterion. The research findings show that a majority of the respondents strongly agreed and agreed that the organization uses supplier’s human resource base as supplier selection criteria as shown by a mean of 3.92, Choosing supplier using human resource base leads to customer satisfaction with a mean of 3.76, and most respondents strongly agree that the supplier selection criteria has a positive effect on overall organizational performance with a mean 4.05.

4.3.4 Level of agreement on organizational Performance

4.14 Level of agreement of supplier financial ability influence on overall organizational performance

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	23	17.4	17.6	17.6
Neutral	12	9.1	9.2	26.7
Agree	44	34.8	35.1	61.8
Strongly Agree	49	37.9	38.2	100.0
Total	128	99.2	100.0	
System	2	.8		
	130	100.0		

Source: Research findings (2018)

The study sought to determine the level at which respondents agreed or disagreed to a supplier's financial ability affection overall organizational performance. The research findings above indicate the responses were: Strongly agree (49), Agree (45), Neutral (12) and Disagree (23). It is clear that most of the respondents either strongly agreed or disagreed that supplier financial ability influence on overall organizational performance. The percentages represented by 37.9% and 34.8% respectively.

4.15 Level of agreement of Supplier Production capabilities influence on organizational performance

	Frequency	Percent	Valid Percent	Cumulative Percent
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Disagree	20	15.2	15.2	15.2
Neutral	9	8.3	8.3	23.5
Agree	41	31.8	31.8	55.3
Strongly Agree	58	44.7	44.7	100.0
Total	128	99.2	100.0	
	130	100		

Source: Research findings (2018)

In order to capture the dependent variable organizational performance, the study sought to find out the level of agreement of respondents on choosing supplier based their production capabilities would influence on the overall performance. The findings in table 4.15 show that Strongly agree- 58, Agree – 41 representing 44.4% and 31% of the respondents respectively, whereas none of the respondents strongly disagreed.

4.16 Level of agreement of supplier Human Resource Base influence on overall organizational performance

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	23	17.4	17.6	17.6
Neutral	10	7.6	7.6	25.2

Agree	70	53.8	54.2	79.4
Strongly Agree	25	20.5	20.6	100.0
Total	128	99.2	100.0	
System	2	.8		
	130	100.0		

Source: Research findings (2018)

The study sought to determine if supplier Human Resource Base influence on overall organizational performance of the County Government of Kisumu. From the findings above, it is clear that 70 respondents Agree, with 53.8%, 23 Disagree represented by 17.4% and none strongly agreed.

4.4 Regression analysis

Data collected using the questionnaire was analyzed through SPSS (Statistical Packages of Social Sciences) version 21. Data was coded for analysis. Descriptive statistics such as mean and standard deviation was used to describe indicators of supplier evaluation and Organizational performance. Correlation analysis was used to test the correlation between individual indicators of supplier evaluation and Organizational performance while a multiple regression was used to test the overall effect of supplier evaluation on performance. ANOVA

test was conducted to test the statistical significance of the overall effect of supplier evaluation on Organizational performance. The study was based on the following multiple regression model;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where; Y – Procurement Performance, β_0 – Constant, β_1 and β_2 - Regression coefficients, X_1 - Supplier financial ability, X_2 - Supplier production capability, X_3 - Supplier Human resource base and ε - Error term.

Hypothesis tests

Hypotheses testing were done using t-statistic. The results were as presented in table 4.16.

Table 4.17. Supplier selection criteria and organizational performance.

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.027	.232		.118	.906
	Financial ability	.250	.045	.251	5.573	.000
	Production Capacity	.264	.029	.413	8.955	.000
	Human resource base	.486	.038	.582	12.876	.012

Source: Research findings (2018)

a. Dependent Variable: Organizational Performance.

The first hypothesis of the study was;

H_{01} : There is no influence of financial ability on organizational performance.

From the research findings in table 4.16, Beta=.251 imply that Supplier financial ability has influence on Organizational Performance. Using the p-value, the regression is significant since the $p=0.000$ which is (<0.05) indicate that the effect is statistically significant. The first null hypothesis was therefore rejected and alternative hypothesis accepted. It was therefore

concluded that Supplier financial ability has significant effect on Organizational Performance of County Government of Kisumu.

The second hypothesis was stated as follows;

H0₂: There is no influence production capability on organizational performance.

From the research findings in table 4.16, Beta=.413 imply that Supplier production capability has influence on Organizational Performance. Also using the p-value, the regression is significant since the p=0.000 which is (<0.05) thus, indicating that the effect is statistically significant. The second null hypothesis was also therefore rejected and alternative hypothesis accepted. It was therefore concluded that Supplier production ability has significant effect on Organizational Performance of County Government of Kisumu

Lastly, the third hypothesis of the study was stated as follows;

H0₃: There is no influence of human resource base on organizational performance of organizational performance.

From the research findings in table 4.14, Beta=.582 imply that Supplier Human resource base has influence on Organizational Performance. Thus, using p-value, the regression is significant since the p=0.012 which is (<0.05). This means that the effect is statistically significant. The third null hypothesis was therefore rejected and alternative hypothesis accepted. It was therefore concluded that Supplier production capability has significant effect on Organizational Performance of County Government of Kisumu.

Multiple regression analysis was conducted to establish the effect of supplier evaluation on organizational Performance of County Government of Kisumu.

Table 4.18 Effect of Supplier evaluation criteria on organizational performance.

Regression Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.870 ^a	.757	.751	.24520

Source: Research findings (2018)

- a. Predictors: (Constant), Financial ability, production Capacity, Human resource base

From the Regression model summary in table 4.17, indicates that there exists a strong positive relationship between supplier selection criteria and organizational in County Government of Kisumu as shown by a correlation coefficient of 0.870. With a R-square = 0.757 implies that supplier’s financial ability, supplier’s Production capability and supplier’s Human Resource base collectively explain up to 75% of Organizational performance of County Government of Kisumu.

4.4.2 Analysis of Variance (ANOVA)

ANOVA test was conducted to test the significance of the influence of supplier evaluation on procurement performance.

Table 4.19 ANOVA results.

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23.618	3	7.873	130.94	.000 ^b
	Residual	7.576	126	.060	0	
	Total	31.194	129			

Source: Research findings (2018)

- a. Predictors: (Constant), Financial ability, Production capability, Human performance resource base

- b. Dependent Variable: Organizational Performance

P=0.000(<0.05) implies that the collective effect of supplier’s Financial ability, supplier’s Production capability and human resource base are statistically significant.

Table 4.20 Test of Coefficients.

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.

	B	Std. Error	Beta		
1 (Constant)	.027	.232		.118	.906
Financial ability	.250	.045	.251	5.573	.000
Production capability	.264	.029	.413	8.955	.000
Human resource base	.486	.038	.582	12.876	.012

Source: Research findings (2018)

a. Dependent Variable: Organizational Performance

The table above presents the coefficients of supplier's financial ability, supplier's Production capability and human resource base. From the table, the regression model for the study is developed as shown below;

$$Y = 0.027 + 0.25X_1 + 0.264X_2 + 0.486X_3$$

Where; Y – Organizational Performance

X₁- Supplier financial ability,

X₂- Supplier's Production capability and

X₃- Human resource base

Table 4.21: Regression analysis

Correlations				
	Financial ability	Production capability	Human Resource base	organizational Performance

organizational Performance	Pearson	.702**	.603**	.397**	1
	Correlation				
	Sig. (2-tailed)	.000	.000	.012	
	N	130	130	130	130

****.** Correlation is significant at the 0.01 level (2-tailed).

Table 4.21 results show the correlations of supplier financial ability, production capability, human resource base and organizational Performance. The results show a strong correlation of $r=0.702$, ($p=0.000$) significant at 99% confidence level between financial ability and organization performance, a strong correlation of $r=0.603$, ($p=0.000$) significant at 99% confidence level between Production capability and organization performance, a moderate correlation of $r=0.397$, ($p=0.012$) significant at 99% confidence level between Human Resource base and organization performance. This means that the association between financial ability, production capability, human resource base and organization performance is highly positively significant. It is concluded that, as selecting supplier's using financial ability, production capability and human resource base increase, organizational performance also increases.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of the findings

The objective of the study was to establish the relationship between supplier selection criteria and the organizational performance of the County Government of Kisumu. To achieve this

objective, the following specific research objectives; to establish the relationship between financial ability and organizational performance, to determine the relationship between production capability and organizational performance and to examine the relationship between human resource base and organizational performance.

The first objective of the study was to establish the relationship between financial ability and organizational performance. Mutai and Okello, (2016), conducted a study on effect of supplier evaluation on performance of procurement function of Public Universities campuses in Kericho County. In order to achieve their objective, the three hypotheses tested were supplier quality commitment, supplier competence and financial ability. Their findings revealed the financial stability had a significant effect on procurement performance. The study's objective of financial ability was conducted in Public universities and private institutions, creating a gap on the selection criteria in County Governments. The research findings indicated 92.3% of the 130 respondents, agreed that suppliers are rated on financial ability, 86.9% accepted that supplier financial ability contributes to cost effective service delivery citing that it leads to flexibility, timely delivery, quality supplies and works to the County Government of Kisumu.

The study sought to establish the respondent's level of agreement on financial ability as selection criteria. The findings established that a majority of the respondents strongly agreed with the statements of; organization uses financial ability as supplier selection criteria, supplier financial ability contributes to cost effective service delivery and these selection criteria has a positive effect on overall organizational performance, showing a mean of 4.35, 4.35 and 4.26 respectively.

The null hypothesis H_{01} : There is no influence of financial ability on organizational performance. The findings from the research indicates that the influence of financial ability on organizational performance is statistically significant. The first null hypothesis was therefore rejected and alternative hypothesis accepted. It was concluded that supplier financial ability has a significant effect on organizational performance of County Government of Kisumu.

The findings therefore revealed that selecting suppliers using financial ability has a significant effect on the overall performance of the organization.

The second objective of the study was to determine the relationship between production capability and organizational performance. The Public Procurement and Asset Disposal Act, 2015 has a requirement for selecting suppliers using technical capability. The production capability of supplier, act as an assurance that the supplier will be able to fulfil their contractual obligation.

The research findings indicate that a majority of the respondents agreed that the organization uses production capability as a supplier criteria and can be characterized by choosing suppliers using production capability leads to high quality performance and that supplier selection criteria has a positive effect on overall organizational performance.

The second null hypothesis H₀₂: There is no influence of production capability on organizational performance of County Government of Kisumu. The research findings indicate that the effect is statistically significant. The second null hypothesis was therefore rejected and alternative hypothesis accepted. It was concluded that production capability has a significant influence on organizational performance of County Government of Kisumu.

The findings therefore revealed that selecting suppliers using production capability has significant effect on the overall performance of the organization. This is contrary to the study conducted by Mwikali and Kavale (2012), on identifying the factors affecting supplier evaluation, in the findings technical capability, quality of materials and the profile of the supplier are also closely considered with the cost being the key factor.

The third objective of the study was to establish the influence of Human Resource base on organizational performance. In a study done by Kamenya (2014), on the relationship between supplier evaluation and performance in large food and beverage manufacturing firms revealed that there is a positive relationship between performance and supplier evaluation criteria. The study illustrated employee capabilities among other factors significantly influencing performance of the procurement.

The findings established that a majority of the respondents strongly agreed with the statement of; organization uses Human Resource base as supplier selection criteria, choosing suppliers using Human Resource Base leads to organization customer satisfaction and this selection has a positive effect on overall organizational performance.

The null Hypothesis H0₃; There is no influence of Human Resource base on organizational performance of County Government of Kisumu. The research findings indicate that the effect is statistically significant. The third null hypothesis was therefore rejected and alternative hypothesis accepted. It was concluded that supplier Human Resource base has a significant influence on organizational performance of the County Government of Kisumu.

5.2 Conclusion

From the findings, the study found that financial ability, production capability and human resource base had effect on organizational performance of Kisumu County. The study established that there was strong influence of financial ability, production capability and human resource Base on organizational performance of Kisumu County.

The first conclusion was made that Supplier financial ability has significant effect on Organization performance of County Government of Kisumu. Suppliers' level of Production capability directly determines the level of quality in products and services obtained through procurement activities; product quality is just an aspect of organizational performance. In overall, achievement of product quality affects organizational performance though the effect is not significant.

Secondly, it was concluded that supplier's financial ability has significant effect on Organization performance of County Government of Kisumu. Suppliers' financial ability directly influences their ability to supply what the organization needs.

The last conclusion was made that human resource base has significant effect on Organization performance of County Government of Kisumu. supplier human resource base determines

5.3 Recommendations

The study recommends that County Government of Kisumu should enhance their supplier's financial ability, supplier's production and human resource base; Supplier selection should be done by experts who are knowledgeable and have expertise to conduct the exercise professionally. This is because supplier selection is a process vulnerable to personal and political interference especially in the public sector. Supplier Financial ability must be considered a critical factor in supplier evaluation and supplier selection. The performance management criteria should focus on suppliers' financial capacity as one of the criteria for supplier selection. This is because suppliers' financial capability directly influences the ability of the suppliers to meet organizational needs. There is need to communicated to all stakeholders who are directly involved in organizational operations on the need to consider financial capacity of suppliers.

The researcher recommends that human resource base should be considered when awarding supply contracts. It should form the basis of awarding contracts. This is because the level of suppliers' competence determines the suppliers' ability to understand user needs and enhances their ability to satisfy supply needs of the procuring entity. Production capability of a supplier should also be taken into account while selecting suppliers, it is essential as it will ensure timely delivery of orders and keeping lead times.

The study suggests the following areas for further studies; A comparative study should be conducted to establish if there is difference in the effects of supplier evaluation on organizational performance between physical product organizations and service organizations. There is also need for County Government of Kisumu to enhance their production capability this will help in decreasing non-performing supplier's levels as well as their non-performing supply. This will help in improving their performance.

5.4 Limitations of the Study

The respondents approached are likely to be reluctant in giving information fearing that the

information sought would be used to intimidate them or print a negative image about them. Some respondents may even turn down the request to fill questionnaires. The study handled the problem by carrying an introduction letter from the University and assuring them that the information they give would be treated confidentially and it would be used purely for academic purposes.

Employees operate on tight schedules; respondents are not able to complete the questionnaire in good time and this might overstretch the data collection period. To mitigate this limitation, the study made use of network to persuade targeted respondents to fill up and return the questionnaires.

The researcher also encountered problems in eliciting information from the respondents as some of the information required was subject to areas of feelings, emotions, attitudes and perceptions, which cannot be accurately quantified and/or verified objectively.

5.5 Suggestions for Further Research

The study suggests that the county should invest heavily on supplier selection policies, in order to make the stakeholders of the county have confidence in the level of performance. Further studies should be conducted to relate supplier evaluation criteria and organizational performance in other public procuring entities. Lastly, further study may also conduct supplier selection criteria in media industry.

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APPENDICES

APPENDIX I

QUESTIONNAIRE

I am student in the department of Management Science at Maseno University. I am undertaking a research study on the Effect of Supplier Selection criteria on Organizational Performance in County Government of Kisumu. I do hereby request your participation, which will involve answering thirteen (13No.) questions only.

Participating in this study is voluntary and the information given will be confidential.

Thank you for taking your time to participate.

SECTION A: Personal Information/General Information

1. Please indicate your Gender

- a. Male ()
- b. Female ()

2. Please indicate your Age.

- a. 18 -25 years ()
- b. 26 – 30 years ()
- c. 31 – 35 years ()
- d. 36 – 40 years ()
- e. 41- 45 years ()
- f. 46 - over 50 years ()

3. For how long have you worked for the organization?

- a. Less than 1 year ()
- b. 1-5 years ()
- c. 6-10 years ()
- d. 11 years and above ()

4. What level of management are you in?

- a. Top Level ()
- b. Middle level ()
- c. Operational ()

5. Please indicate the department that you work under.

- a. Procurement ()
- b. Finance ()
- c. Engineering ()

Section B: Financial ability and organizational performance

6. In your opinion do you think that a supplier should be rated on their financial ability?

- i. Yes ()
- ii. No ()

If **Yes** in (6) above explain briefly

7. Does financial ability of a supplier contribute to cost effective service delivery of the organization.

- i. Yes ()
- ii. No ()

If **Yes** in (7) above explain briefly.

Section C: Human Resource Base and organizational performance

8. Does having qualified personnel give the supplier a upper hand against other bidders in your organization?

- i. Yes ()
- ii. No ()

If the answer is Yes (8) above in your own opinion how does a supplier's human resource contribute to customer satisfaction of the services offered by your organization?

Section D: Production capability and organizational performance

9. In your opinion should a supplier's production capability be included in selection of potential vendors?

- i. Yes ()
- ii. No ()

If **Yes** in (9) above in your opinion how does production capability of a supplier contribute to high quality services provided by your organization.

Selection E: Financial ability as selection criteria

10. Could you answer the questions below by rating the following statements by ticking only one appropriate box on the side of each question. Indicate using the scale of 1 to 5 where;

- 1 -**Strongly Disagree**
- 2 -**Disagree**
- 3 - **Neutral**
- 4 - **Agree**
- 5 - **Strongly agree**

What is your opinion on the following;	Rating Scale (Tick where appropriate)				
	1	2	3	4	5
The organization uses financial ability as supplier selection criteria.					
Choosing suppliers using financial ability contributes to cost effective services.					
This supplier selection criteria has a positive effect on overall organizational performance.					

Selection F: Production facilities as selection criteria

11. Could you answer the questions below by rating the following statements by ticking only one appropriate box on the side of each question. Indicate using the scale of 1 to 5 where;

- 1 -**Strongly Disagree**
- 2 -**Disagree**
- 3 - **Neutral**
- 4 - **Agree**
- 5 - **Strongly agree**

What is your opinion on the following;	Rating Scale (Tick where appropriate)				
	1	2	3	4	5
The organization uses Production capability as supplier criteria					
Choosing suppliers using production capability leads to high quality performance					
This supplier selection criteria has a positive effect on overall organizational performance					

Selection G: Human Resource Base as selection criteria

12. Could you answer the questions below by rating the following statements by ticking only one appropriate box on the side of each question. Indicate using the scale of 1 to 5 where;

- 1 -**Strongly Disagree**
- 2 -**Disagree**
- 3 - **Neutral**
- 4 - **Agree**
- 5 - **Strongly agree**

What is your opinion on the following;	Rating Scale (Tick where appropriate)				
	1	2	3	4	5
The organization uses Human Resource base as supplier selection criteria.					
Choosing suppliers using Human Resource base leads to the organizations customer satisfaction.					
This supplier selection criteria has a positive effect on overall organizational performance.					

Selection H: Organizational Performance

13. Could you answer the questions below by rating the following statements by ticking only one appropriate box on the side of each question. Indicate using the scale of 1 to 5 where;

- 1 - **Strongly Disagree**
- 2 - **Disagree**
- 3 - **Neutral**
- 4 - **Agree**
- 5 - **Strongly agree**

What is your opinion on the following;	Rating Scale (Tick where appropriate				
	1	2	3	4	5
In your opinion does supplier financial ability affect organizational performance					
Supplier Human Resource Base has an effect on organizational performance.					
Choosing production capabilities affect organizational performance.					

APPENDIX II

Table 3.1									
<i>Table for Determining Sample Size of a Known Population</i>									
N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	1000000	384

Note: N is Population Size; S is Sample Size *Source: Krejcie & Morgan, 1970*