

LOCAL CONTENT PARTICIPATION AND PROCUREMENT PERFORMANCE AT KENYA ELECTRICITY GENERATING COMPANY PLC

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Abstract

There are many valid reasons why countries wish to employ Local Content Policies. The general objective of the study was to evaluate local content participation and procurement performance at Kenya Electricity Generating Company. The specific objectives of the study were to examine the effects of local suppliers' engagement and local sourcing of products on procurement performance of KenGen. This study was anchored on the following theories; Social Exchange theory and Transaction Cost theory. Primary data was collected through use of questionnaires. The target population was 134 employees at KenGen that included project managers, project steering team, procurement officers, ICT technicians, human resource officers and finance officers. The sample size was 100 employees and stratified random sampling method was used to select the sample. A modified Likert scale questionnaire was developed. Data analysis was through Statistical Package for Social Science (SPSS Version 23). Descriptive analysis and inferential statistics were used in the analysis. It was concluded that local suppliers engagement has a significant effect on procurement performance at KenGen through fostering strong community ties, reducing lead times, and minimizing costs. Local sourcing of products has a significant effect on procurement performance at KenGen by ensuring shorter lead times, reducing transportation costs and fostering stronger supplier relationships. It is recommended that KenGen should create platforms for local suppliers to network, share best practices and collaborate on joint ventures. It is recommended that KenGen should implement procurement policies that prioritize local sourcing, setting specific targets or quotas for local procurement.

Keywords: *Local Content Participation, Local Suppliers Engagement, Local Sourcing of Products, Procurement Performance*

INTRODUCTION

It is now widely accepted that sustained economic growth is necessary to alleviate poverty and achieve the UN's Millennium Development Goals (MDGs). But the extent of poverty reduction will depend on the degree to which the poor participate in the growth process and share in its proceeds. Increasing the input of local labour, goods and services known as local content in the

delivery of infrastructure projects in low income countries could make a major contribution to economic growth (Wells & Hawkins, 2015). At the same time, it would open up opportunities for the poor to participate in the growth process through the creation of jobs in the construction and supply industries.

There are many valid reasons why countries wish to employ Local Content Policies (LCPs). A country with a fledgling oil and gas industry will not have the specialized labour sector or pool of expertise required by the industry Kenyon, (2016). To overcome this, international oil companies (IOCs) necessarily have to bring in foreign workers and service providers with the relevant skills and knowledge. However, this leads to a vicious cycle where the local labour force is not employed because it does not have the required skills, but it will never be able to gain those required skills without the opportunities to learn on the job (Ablo, 2016). Furthermore, international service providers have existing, well-established relationships with IOCs which makes it easy for them to displace small local firms from the value chain of the oil and gas industry (Kenyon, 2016).

This issue that is not unique to developing countries alone. Both the UK and Norwegian governments took an active role in developing local content in the early days of their respective oil and gas industries. Both countries had highly educated workforces with technical competence in manufacturing, shipbuilding and engineering. What they did not have was a local oil and gas industry (Arthur and Arthur, 2015). The UK government used a number of measures such as discretionary licensing, strict audits of purchases by oil companies to ensure that local suppliers were used, transfer of research and development the encouraging of joint ventures with local players. Predominantly through Statoil (the then national oil company), Norway undertook similar initiatives that essentially made it mandatory for IOCs to transfer technology and expertise to their Norwegian counterparts in order to participate in the Norwegian oil and gas industry. Neither the UK nor Norway set out specific employment or local content targets, and both focused on value addition rather than mere local incorporation or local ownership. Local content in the UK is today estimated at around 85% with nearly 100% in post-development operations (Ado, 2015). In Angola, local content objectives are achieved both through legislation and the PSCs Decree No. 20 of 1982 which requires any company operating in Angolan Petroleum Sector to employ Angolans and provide them with necessary technical and professional training and business opportunities associated with the business concerned Murungi, (2014). In South Africa, local content participation is alive since their independence in 1994. In Kenya, local content Bill 2016 has just been approved by Parliament and accented to by the President into Law (Kenyon, 2016).

Statement Problem

Procuring services and goods from local contractors and suppliers and using techniques adapted to the local resource endowment will generate income locally and make a substantial contribution to economic growth. The process of constructing, operating and maintaining infrastructure facilities offers significant opportunities for the generation of employment and there is a broad consensus for maximizing these opportunities (IFC, 2016). However, implementing effective local content policies faces challenges. These include a lack of local capacity and expertise in specialized areas, inadequate infrastructure, and sometimes, conflicting interests between international investors and local content requirements. According to Olurunfemi, (2015) and Ogiemwonyi, (2015), the main reason for not recognizing local suppliers

in oil and gas industry is attributed to the problem of local suppliers' situation where most of the service contracts are awarded to foreign firms because local suppliers 'allegedly' lack the requisite skills, technical expertise, manpower and production capacity and capability to compete favorably.

Striking a balance between the requirements for foreign investment and the need to prioritize local participation remains a challenge for institutions which has impacted on procurement performance of the companies (Ayanooore, 2020). A survey done in February (2015) by the National Treasury showed that 30 per cent of the state corporations have partially automated procurement systems while 14 per cent had fully automated their procurement process. The treasury indicated that emphasis on e-procurement system is to ensure transparency in how tenders are awarded. Estimates by the Treasury showed that the government losses more than Sh70 billion annually due to fraudulent manipulations in procurement process. KenGen was identified to have fully implemented e-procurement system though the system was not meeting the expected benefits (Wanzala, 2015).

There existed gaps in regard to local content participation and procurement performance. Nagudi (2019) focused on local content strategies and procurement participation by local firms in the oil and gas industry of Uganda and concluded that technology transfer, use of local supplies and promotion of business competitiveness affects procurement participation in the O&G sector. However, a conceptual gap exists as the study focused on local content strategies and procurement participation and not local content participation and procurement performance. Mulati (2019) studied the effect of local content policies on sustainable local development by upstream oil and gas companies in Kenya and established that companies have moderately initiated, adopted, and implemented provisions of local content policies, and that these policies have the potential of improving sustainable local development. However, a conceptual gap existed as the study focused on local content policies on sustainable local development and not local content participation and procurement performance. This study aimed to focus on the effects of local content participation on procurement performance of Kenya Electricity Generating Company PLC so as to fill the existing contextual and conceptual gaps.

Objectives of the Study

- i. To establish the effects of local suppliers engagement on procurement performance of KenGen - Kenya.
- ii. To examine the effects of local sourcing of products on procurement performance of KenGen - Kenya.

Research Hypotheses

H0₁: Local suppliers engagement has no significant effect on procurement performance at KenGen - Kenya.

H0₂: Local sourcing of products has no significant effect on procurement performance at KenGen - Kenya.

Theoretical Framework

Social Exchange Theory

Social Exchange theory was developed and popularized by the American sociologist George Homans in 1961 in his seminal work "Social Behavior: Its Elementary Forms" (Simon & Zhou, 2017). Social Exchange Theory assumes that individuals are rational actors who engage in behaviors that are aimed at maximizing rewards and minimizing costs. The theory assumes that

individuals are assumed to act in their own self-interest, seeking outcomes that provide them with personal satisfaction, gratification, or utility. The theory recognizes that social relationships involve interdependence, where the actions of one individual influence the outcomes for others. When organizations invest in the local workforce through employment opportunities and skills development programs, local workers may feel a sense of reciprocity and loyalty towards the organization. When organizations demonstrate a genuine commitment to engaging the local workforce in procurement processes, local workers are more likely to trust the organization and reciprocate with their loyalty, effort, and cooperation (Simon & Zhou, 2017).

Transaction Cost Theory

Transaction Cost theory (TCC) was developed primarily by Ronald Coase in 1937 and suggested that firms make sourcing decisions based on minimizing transaction costs (Parisi, 2005). In the context of local sourcing, firms may choose to procure goods and services locally to reduce transaction costs associated with coordination, communication, and monitoring when dealing with local suppliers compared to international ones. The theory helps firms make decisions about whether to produce goods or services internally (make) or procure them from external suppliers (buy). Firms consider transaction costs such as search costs, negotiation costs, and monitoring costs when deciding between internal production and outsourcing locally (Rindfleisch, 2020). TCT suggests that firms may choose local sourcing to minimize transaction costs associated with coordinating production activities internally or managing relationships with external suppliers. The theory underscores the significance of contract design and enforcement mechanisms in managing transaction costs. In local sourcing, firms may develop contracts with local suppliers that specify terms, conditions, and performance metrics to reduce the risk of opportunistic behavior and ensure compliance with agreed-upon obligations (Rindfleisch, 2020).

Conceptual Framework

In this study, the dependent variable is procurement performance while the independent variables are local suppliers' engagement and local sourcing of products as shown in Figure 1.

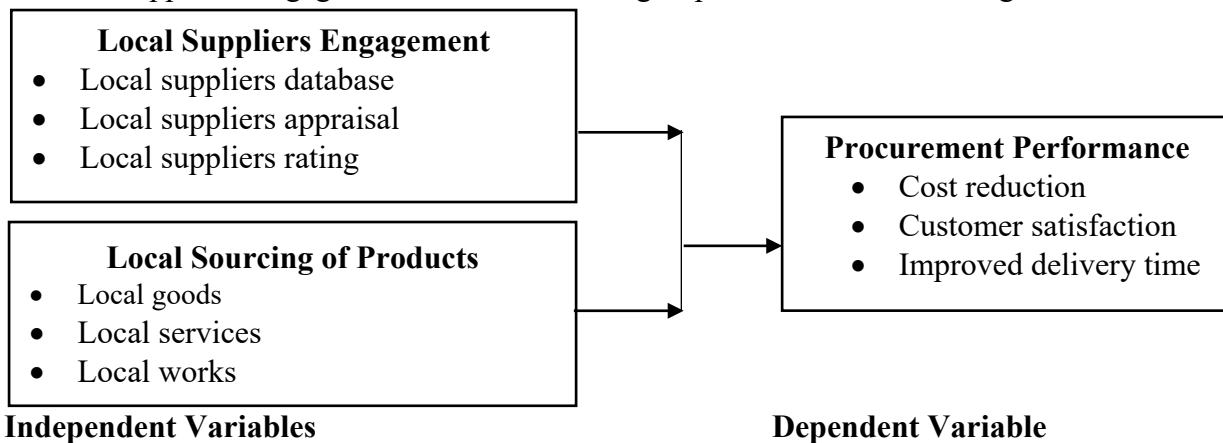


Figure 1: Conceptual Framework

Empirical Literature Review

Lubale and Kioko (2016) examined the effect of supplier development on organizational performance of Kenya Power and Lighting Limited. The study's regression model showed that all the three independent variables had a positive relationship with the dependent variable. ANOVA, at a 95 % confidence level, yielded a computed p-value of 0.007 (which was less than

the alpha (α) value of 0.05) and a high computed F-Test ratio value of 0.875. The regression model was thus determined to be statistically significant in predicting how supplier development affects organizational performance at Kenya Power.

Omanji and Moronge (2018) focused on the influence of procurement practices on performance of the public sector in Kenya, a case of Narok County. The study used a descriptive survey research design and adopted stratified sampling. Structured questionnaires as the main instruments for collecting primary data from respondents. Data collected was analysed using the Statistical Package for Social Sciences (SPSS) Program. Multiple linear regression analysis was used to estimate the relationship between the dependent and independent variables. The study concluded that there was a positive and statistically significant linear relationship between the County performance and supplier partnerships. Leparan (2019) focused on determinants of Local Content Implementation in Upstream Oil and Gas in Kenya: A Case of Africa Oil. The study adopted descriptive survey design where stratified sampling technique was deployed. A questionnaire was deployed to collect primary data from the target respondents, whereby descriptive statistics analyzed means and standard deviations while inferential statistics analyzed correlation and regression analysis. The findings of this study revealed that there exists a significant relationship between local infrastructure and successful implementation of local content.

Mulati (2019) studied the effect of local content policies on sustainable local development by upstream oil and gas companies in Kenya. Purposive sampling was used and a standardized closed ended 5-likert scale questionnaire was administered. The data was analyzed using SPSS for both descriptive analysis and inferential computations. The study concluded that companies have moderately initiated, adopted, and implemented provisions of local content policies, and that these policies have the potential of improving sustainable local development.

Kaaria (2020) focused on procurement practices and supply chain performance of selected public universities in Kenya. The study adopted a cross-sectional descriptive research design and purposive sampling was used. Questionnaires were used to collect data. The data collected was analyzed through descriptive statistics and displayed by the use of tables. Results showed a positive and strong statistically significant relationship between strategic partnership, inventory management and supply chain performance.

Aulia and Isvara (2021) focused on strategies to increase procurement maturity level using procurement maturity model to improve procurement performance in Indonesia. The survey and archival analysis were employed to collect data. The types of data included both qualitative and quantitative information. It was concluded that local infrastructure enhances certain conditions like information technology, local company's needs, and standards, social, educational in the local petroleum, which are essential in implementing local content.

METHODOLOGY

This study adopted a cross-sectional survey research design aimed at collecting large number of qualitative and quantitative data at a point in time so as to establish patterns of local content participation in KenGen. The study targeted 134 KenGen employees that included project managers, project steering team, procurement officers, ICT technicians, human resource officers and finance officers. The total sample size for this study was obtained using the formulae developed by Cooper and Schinder, (2013) together with Kothari and Gang, (2014). The sample

size was 100. Stratified random sampling method was used to select relevant respondents from various departments of KenGen.

The primary research data was collected using a semi-structured questionnaire. Secondary data was obtained from literature sources through review of published literature. Qualitative as well as quantitative methods of data analysis was used to analyze the research variables. Quantitative analysis goes further to test the theories in the theoretical framework behind the study and prove or disapprove it. The multiple regression analysis was used to explore the relationship between local suppliers' engagement and local sourcing of products as the independent variables and procurement performance in KenGen as the dependent variable. Pearson's product moment correlation analysis was also used and it's a powerful technique for exploring the relationship among variables.

FINDINGS AND DISCUSSION

Response Rate

The study administered 100 instruments to the sampled respondents. Of the 100 respondents, 71 responded and returned completed questionnaires representing a response rate of 88.8%. The high questionnaire response rate (71%) resulted from the method of administration of the instrument, which was in this case researcher-administered. This was acceptable according to Denzin (2017).

Descriptive Statistics

Local Suppliers Engagement on Procurement Performance

The respondents indicated their level of agreement with statements on the effects of local suppliers engagement on procurement performance of KenGen. The opinions are presented in Table 1.

Table 1: Local Suppliers Engagement on Procurement Performance

Statements	Mean	StdDev
There is ease of use and accessibility of the local suppliers' database for identifying potential suppliers	3.84	0.73
Local suppliers database provide comprehensive information about the capabilities and offerings of local suppliers	4.17	0.54
There is accuracy and reliability of the information provided in the local suppliers' database	4.08	0.59
The local suppliers meet the specified requirements and standards in their deliverables	3.98	0.77
There is responsiveness and communication of local suppliers during the procurement process	4.17	0.6
The local suppliers meet the organization's procurement needs and objectives	4.12	0.59
The local suppliers demonstrate a commitment to quality and excellence in their products/services	4.07	0.63
The local suppliers communicate and collaborate with our organization to address concerns and meet expectations	4.04	0.53

With a mean of 3.84, it was agreed that There is ease of use and accessibility of the local suppliers' database for identifying potential suppliers (StdDev=0.73), indicating minimal differing opinions among respondents. Respondents agreed that local suppliers' database

provides comprehensive information about the capabilities and offerings of local suppliers (Mean 4.17, StdDev 0.54). The low standard deviation suggests a high level of consensus among respondents. It was agreed that there is accuracy and reliability of the information provided in the local suppliers' database (Mean 4.08, StdDev 0.59). The standard deviation indicates low variability in responses. It was agreed that local suppliers meet the specified requirements and standards in their deliverables (Mean 3.98, StdDev 0.77). The findings support Collins, Spindle-Jackson and Yao (2021) findings that Local suppliers engagement is a critical element in the realm of local content participation, serving as a linchpin for economic sustainability and community development. This concept underscores the significance of involving and integrating the skills, talents, and resources of the local population within industries or projects operating within their vicinity.

With a mean of 4.17 and StdDev of 0.6, the respondents agreed that there is responsiveness and communication of local suppliers during the procurement process. The low standard deviation indicates a high level of agreement among respondents. It was agreed the local suppliers meet the organization's procurement needs and objectives (Mean: 4.12, StdDev: 0.59). The standard deviation suggests a low level of variability in responses. It was agreed that the local suppliers demonstrate a commitment to quality and excellence in their products/services (Mean: 4.07, StdDev 0.63). The standard deviation suggests low variability in opinions about this connection. Respondents generally agree that the local suppliers communicate and collaborate with our organization to address concerns and meet expectations (Mean: 4.04, StdDev: 0.53). The low standard deviation indicates low diversity in opinions regarding the extent of this contribution. Pandita and Ray (2018) indicated that successful local content participation and suppliers' engagement necessitate a collaborative approach among various stakeholders.

Local Sourcing of Products on Procurement Performance

The respondents indicated their level of agreement with statements on the effects of local sourcing of products on procurement performance of KenGen.

Table 2: Local Sourcing of Products on Procurement Performance

Statements	Mean	StdDev
Our organization gives preference to goods, services and works produced in Kenya	3.65	0.64
Our organization is committed to increasing the percentage of goods, services and works sourced locally	3.78	0.73
I believe it's important for my organization to prioritize sourcing goods, services and works locally	4.05	0.68
I believe sourcing locally is beneficial for reducing the environmental impact caused by transportation of goods	4.10	0.57
I am aware of the policies or initiatives in place that encourage or support local sourcing of goods, services and works	4.11	0.66
Sourcing goods services and works locally is convenient and accessible for our organization's needs	3.98	0.78
Sourcing goods services and works locally positively contributes to the growth of our local economy	4.09	0.55

The respondents, on average, agreed that the organization gives preference to goods, services and works produced in Kenya (Mean of 3.65). The low standard deviation (0.64) suggests low

diversity in opinions. It was agreed that the organization is committed to increasing the percentage of goods, services and works sourced locally (Mean of 3.78). The standard deviation (0.73) indicates low variability in the opinions within the organization. With a mean of 4.05, the respondents agreed that it is important for the organization to prioritize sourcing goods, services and works locally. The standard deviation (0.68) suggests low diversity in the perceived importance. With a mean of 4.10, the respondents agreed that sourcing locally is beneficial for reducing the environmental impact caused by transportation of goods. The low standard deviation (0.57) suggests relatively low variability, indicating a more consistent agreement on the environmental benefits of local sourcing. Siyal and Xin (2020) emphasized that local sourcing, economies aim to bolster local industries, create employment opportunities, and stimulate economic growth while reducing dependency on foreign imports.

With a mean of 4.11, the respondents agreed that they are aware of the policies or initiatives in place that encourage or support local sourcing of goods, services and works. The standard deviation (0.66) indicates low variability, suggesting low diversity in awareness levels. The respondents agreed that sourcing goods services and works locally is convenient and accessible for our organization's needs (Mean=3.98). The higher standard deviation (0.78) suggests low diverse opinions, indicating consensus on the convenience and accessibility of local sourcing. Respondents agreed that sourcing goods, services and works locally positively contributes to the growth of our local economy (Mean=4.09, StdDev= 0.55). The low standard deviation suggests relatively low variability, indicating a more consistent agreement on the positive impact of local sourcing on the local economy. The findings on the positive consensus among respondents regarding the effects of local sourcing on KenGen's procurement performance align with existing literature on supplier development and its impact on organizational performance. Local suppliers and manufacturers are more likely to adhere to local regulations, ensuring the quality and safety of goods and services. This not only benefits consumers but also contributes to the reputation and reliability of local industries (Ambe, 2019).

Procurement Performance

The participants indicated their level of agreement with the following statements on procurement performance of KenGen as presented in Table 3.

Table 3: Statements on Procurement Performance of KenGen

Statements	Mean	StdDev
There has been cost reduction in procurement activities in my organization	4.12	0.72
There has been customer satisfaction in my organization over the years	3.98	0.76
There has been improved delivery time of procurement contracts within my organization	4.14	0.56
There has been better relationships with local suppliers within my organization	4.01	0.68
There has been improvement on quality of procured goods, services and works within my organization	4.02	0.55

With a mean of 4.12, respondents agreed that there have been cost reduction in procurement activities in the organization (StdDev = 0.72). The findings support Regan (2015) findings that effective procurement practices enable organizations to negotiate favorable terms with suppliers, obtain competitive pricing, and achieve cost savings across their supply chains. There is

moderate variability in the responses, suggesting some differences in individual experiences or perceptions. Respondents generally agreed there has been customer satisfaction in the organization over the years (Mean = 3.98, StdDev = 0.76). The relatively moderate standard deviation indicates a narrower range of opinions among respondents regarding this aspect. With a mean of 4.14, participants agreed that there has been improved delivery time of procurement contracts within the organization (StdDev = 0.56). The low standard deviation suggests a high level of consensus among respondents. By ensuring timely delivery of goods, services and works, maintaining product quality standards, and optimizing supply chain responsiveness, organizations can meet customer expectations, differentiate themselves from competitors, and build a loyal customer base, ultimately driving revenue growth and market share (Lubale & Kioko, 2016).

Respondents strongly agreed that there have been better relationships with local suppliers within the organization (Mean = 4.01, StdDev = 0.68). The low standard deviation indicates less variation in individual perceptions. With a mean of 4.02, participants strongly agreed that there has been improvement on quality of procured goods, services and works within the organization (StdDev = 0.55). The low standard deviation suggests a high degree of agreement among respondents. By engaging suppliers in joint research and development initiatives, sharing technical expertise, and collaborating on new product designs, organizations can tap into external sources of innovation, accelerate time-to-market, and gain a competitive edge in the marketplace (Allen, 2015).

Inferential Statistics

Correlation Analysis

The correlation table 4 provide the strength and direction of the relationships between Procurement Performance and the various independent variables.

Table 4: Combined Correlations Matrix

		Procurement Local Performance	Suppliers' Local Sourcing of Products	
Procurement Performance	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	71		
Local Suppliers' Engagement	Pearson Correlation	.445**	1	
	Sig. (2-tailed)	.000		
	N	71	71	
Local Sourcing of Products	Pearson Correlation	.599*	.098	1
	Sig. (2-tailed)	.003	.306	
	N	71	71	71

There is a moderately positive and significant correlation between local suppliers engagement and procurement performance (Pearson Correlation = 0.445, significant at the 0.01 level). This suggests that as local suppliers engagement improves, procurement performance tends to improve. The local suppliers engagement cultivates a sense of ownership and communal pride (Hilson & Ovadia, 2020). There is a strong positive and significant correlation between local

sourcing of products and procurement performance (Pearson Correlation = 0.599, significant at the 0.05 level). This suggests that as local sourcing improves, procurement performance tends to improve. Bakari (2018) indicated that local sourcing of products plays a pivotal role in fostering local content participation by prioritizing the utilization of local resources, industries and talents.

Multiple Regression Analysis

Table 5: Multiple Regression Analysis

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	.594 ^a	.353	.329	.23130	

a. Predictors: (Constant), local suppliers' engagement, local sourcing of products

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23.115	2	11.558	49.543	.000 ^b
	Residual	15.863	68	.2333		
	Total	38.978	70			

a. Dependent Variable: procurement performance

b. Predictors: (Constant), local suppliers' engagement, local sourcing of products

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	1.635	0.408		4.012	.000
Local Suppliers' Engagement	0.24	0.059	0.27	4.068	.003
Local Sourcing of Products	0.171	0.051	0.175	3.353	.020

a. Dependent Variable: procurement performance

The multiple correlation coefficient (R) is 0.594, indicating a positive linear relationship between the combined set of predictor variables (local suppliers' engagement, local sourcing of products, local suppliers' technology, local suppliers' facilitation) and procurement performance. The coefficient of determination (R Square) is 0.353, which means that approximately 35.3% of the variance in procurement performance is accounted for by the combination of local suppliers' engagement and local sourcing of products. The adjusted R Square is 0.329.

The ANOVA table assesses the overall significance of the regression model. The F-statistic is 49.543, and the associated p-value is 0.000. This indicates that the regression model, which includes local suppliers' engagement, local sourcing of products, local suppliers' technology and local suppliers' facilitation, is statistically significant in predicting procurement performance at KenGen.

The coefficients table provides information about the individual predictor variables and their contributions to the model. The constant represents the intercept of the regression equation. In this case, the constant is 1.635. The coefficient for local suppliers' engagement, is 0.240. This indicates that for a one-unit change in local suppliers' engagement, procurement performance is expected to change by 0.240 units, holding other variables constant. The p-value is 0.003, which is less than the significance level of 0.05. This indicates that the coefficient is a statistically

significant. We therefore rejected the null hypothesis; **H0₁**: local supplier's engagement has no significant effect on procurement performance at KenGen and accept the alternative hypothesis that local suppliers engagement has a significant effect on procurement performance at KenGen. The coefficient for local sourcing of products is 0.171. For a one-unit change in local sourcing of products, procurement performance is expected to change by 0.171 units, while other variables remain constant. The p-value is 0.02, which is less than the significance level of 0.05. This indicates that the coefficient is a statistically significant. We therefore rejected the null hypothesis; **H0₂**: local sourcing of products has no significant effect on procurement performance at KenGen and accept the alternative hypothesis that local sourcing of products has a significant effect on procurement performance at KenGen.

Conclusion

In conclusion, the survey underscores the positive impact of local suppliers engagement on KenGen's procurement performance. Local suppliers engagement has a significant effect on procurement performance at KenGen. Thus, engaging local suppliers in procurement significantly enhances performance by fostering strong community ties, reducing lead times, and minimizing costs. This approach ensures a stable supply chain, improves responsiveness to market changes, and supports local economies. Additionally, it promotes sustainability by reducing transportation emissions and encourages local innovation and quality improvement. Prioritizing local suppliers not only benefits the procurement process through increased efficiency and reliability but also strengthens the broader socio-economic fabric, aligning business operations with community development and environmental stewardship objectives.

Local sourcing of products has a significant effect on procurement performance at KenGen. This is because local sourcing of products enhances procurement performance by ensuring shorter lead times, reducing transportation costs and fostering stronger supplier relationships. It increases supply chain resilience and flexibility, allowing for quicker responses to market fluctuations. Additionally, local sourcing supports the local economy, promotes sustainability through lower carbon emissions, and often leads to higher quality products due to closer oversight and collaboration. By integrating local suppliers into the procurement strategy, organizations can achieve greater efficiency, cost-effectiveness, and social responsibility, ultimately leading to a more robust and adaptable supply chain.

Recommendations

To optimize the positive impact of local suppliers engagement on KenGen's procurement performance, it is recommended that KenGen should create platforms for local suppliers to network, share best practices and collaborate on joint ventures. It should also organize supplier fairs and forums to facilitate these interactions. It should offer training programs to local suppliers to improve their capabilities and align them with the organization's quality and compliance standards.

To optimize the positive impact of local sourcing of products on KenGen's procurement performance, it is recommended that KenGen should identify and establish connections with potential local suppliers. Create a database of local vendors and regularly update it to ensure a comprehensive pool of local sourcing options. It should implement procurement policies that prioritize local sourcing, setting specific targets or quotas for local procurement within the organization's overall purchasing strategy.

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