

**EFFECTS OF CENTRALIZED PROCUREMENT PROCEDURE ON ECONOMIES OF  
SCALE IN MOTOR INDUSTRY**

**(A CASE OF STUDY OF STANTECH MOTORS)**

**BY**

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## ABSTRACT

Centralization of purchasing activities is an escalating trend for both public and private organizations. Organizations are attempting to capture the economies of scale in purchasing prices and process costs by replacing individual purchases done throughout the organization with corporate-wide framework agreements. These benefits are achieved by the formalization of purchasing processes and channels, e.g. e-procurement, and the reduction in supplier base, developed by the central purchasing unit. But these changes may challenge the other employees used to handling purchases more informally at a local level as well as limit participation of smaller suppliers. To facilitate a scientific treatment of these challenges of centralization, this project has three objectives: 1) To examine how organizations can estimate and quantify the cost effects of purchasing centralization, 2) To study what kind of consequences the development of centralized purchasing and the phenomena associated with it have for the suppliers, specifically for the involvement of small and medium-sized enterprises as suppliers and 3) To conceptually and empirically analyze the forms and reasons of non-compliant purchasing behavior i.e. maverick buying and what types of measures can be used to reduce such behavior. Some empirical studies on the same were studied to give a strong literature review; the study used descriptive method to obtain data. The data was analyzed using SPSS 19 software and the findings and recommendations given.