

## PURCHASING PRACTICES AND PROCUREMENT PERFORMANCE OF STATE CORPORATIONS IN KENYA

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### Abstract

Millions of dollars get wasted due to inefficient and ineffective procurement structures, policies and procedures as well as failure to impose sanctions for violation of procurement rules thus resulting in poor service delivery. Purchasing practices are strategies that may be followed when making company purchasing decisions. Implementing procurement practices may therefore significantly improve the effectiveness of purchasing decisions. The most significant purchasing practices may be improving the relationship between the buyers and suppliers. Procurement department, like all other departments in a company, is an element of the overall organization, which must contribute to the achievement of the corporate goals. The Constitution of Kenya (2010), which makes it very clear that the procurement must support national development objective, in pursuit of the necessary task, it requires that proper policies, procedures be implemented. The study sought to answer the question: what state corporations use purchasing practices in Kenya? Is there a relationship between purchasing practices and procurement performance of state companies in Kenya? The following objectives guided this study: To determine the purchasing practices and to establish the relationship between purchasing practices and procurement performance of state corporations in Kenya. The study used descriptive research design. The target population for this study was all heads and senior procurement officers in 253 parastatal in Kenya where 45 parastatals from a total of 253 parastatals in Kenya were randomly selected. Primary data was used in this study; it was collected using a self-administered questionnaire. The study used descriptive statistical package for social sciences to analyze the data. The study established application of the following purchasing practices by state corporations: planning, monitoring and evaluation, ICT adoption, ethics, training and professionalism, management support, legislative, internal control, outsourcing, contract management. The independent variables in the regression model with positive coefficient have a direct relationship with the dependent variable. Therefore, procurement performance in State Corporation in Kenya varies directly with purchasing all the variables had positive coefficients practices. Purchasing practices (planning, monitoring and evaluation, ICT adoption, ethics, training and professionalism, management support, legislative, internal control, outsourcing, contract management) explains 84.3% of observed change in the procurement performance in state corporation in Kenya. The study concludes that procurement performance of state corporations in Kenya is influenced by purchasing practices that include. The study recommends that State Corporation can enhance procurement performance by ensuring that all stakeholders are committed to procurement and support at the earliest possible stage of the purchasing process. The study recommends that state corporations can improve procurement by ensuring that the supplier selections go deeper to examine the capabilities of suppliers and establishment of long-term relations. A positive relationship with suppliers is a critical factor in sustaining a competitive advantage.

**Keywords:** Purchasing Practices, Procurement Performance, State Corporations and Kenya.

## Introduction

Today's marketplace is dynamic in part due to increasing intensity of competitive pressures on large multinational firms coming from all region of the globe. On their side, firms can make advantage of significant improvements in logistic and information competencies that have created opportunities for global sourcing as well as global market outlets. As part of the move toward deeper understanding of global processes, it seems logical to extend purchasing research to firms in regions of the world suppliers appear to be heading, yet research also appears to have been ignored as noted by Bryntse (1996). Thai (2001) explains that as many countries have moved to a regional and or global economy, public procurement practitioners face challenges on how to comply with government's procurement regulations and social and economic procurement goals without violating regional and or international trade agreements (Van Weele, 2006).

Ntayi et-al. (2009) noted that Africa operates in a global environment, exploiting the opportunities of globalization, and also being shaped by the demands and expectations of the global economy. Ensuring effective governance and poverty reduction are among the expectations. But Ntayi *et al.* (2009) explained that the African continent was not until the 1990s responsive to the call for good governance. As a result of internal and external pressures, the public sector was forced to have a second look at the institutions and systems through which public services were being delivered. Prior to the 1990's African countries had no regulations or legislations regarding public procurement

Ntayi (2009) observed that millions of dollars gets wasted due to inefficient and ineffective procurement structures, policies and procedures as well as failure to impose sanctions for violation of procurement rules thus resulting in poor service delivery. Public procurement is considered an inherently a politically sensitive activity (Schapper *et al.*; 2008). This assertion is supported by Murray (2009), who contended that in public procurement, managers take on the role of agent for elected representatives. However, Petrie (2001) argues that senior officials and political leaders use public office for private gain, and this has weakened the motivation to remain honest.

Lack of interest and neglect by public sector operational managers who have left procurement to the specialists is also an enormous challenge facing a lot of African countries. Thai (2009), attest to this assertion by saying that an environment where good governance, accountability, transparency, and value for money emphasis is at the core value of public performance, managers will distance themselves from the processes that has hampered the performance of public procurement system. But it is most unfortunate that in most African countries, lack of efficient and effective systems has culminated into activities that do not help achieve planned growth and hence the success of the purchasing practices. Therefore public procurement is a key economic activity of governments as it represents a significant percentage of the Gross Domestic Product (GDP) generating massive financial flows, estimated on average at about 10-15% of GDP across the world (Thai, 2009).

In Kenya, state corporations are created to meet both commercial and social goals. They exist for various reasons including: to correct market failure, to exploit social and political objectives, provide education, health, redistribute income or develop marginal areas. Some regulations from 1960s govern State corporations and a system regulated by Treasury Circulars in the 1970s, 1980s, and 1990s. In 2005 the government sought to improve its public procurement systems by enacting the PPDA and creating the Public Procurement Oversight Authority (PPOA) and regulations implementing the Act gazetted by the GoK on January 1, 2007 (PPDA, 2005).

Also, demand for accountability and transparency calls for best practices in Supply Chain Management, Public Procurement Oversight Authority (PPOA) regulate the function of procurement of state corporations in Kenya. The explicit statement of SCM in this supreme law (the constitution) makes it a strategic function in running the affairs of the country, especially public expenditure. This role is further recognized by the Public Procurement and Disposal Act, 2005 and the Supplies Practitioner Management Act 2007 and their respective Regulations. These two legislations legitimize the function and practice of procurement in Kenya.

The State Corporations is vested with the implementing and the responsibilities enforced by The Constitution of Kenya (2010), which makes it very clear that the procurement must support national development objective, In pursuit of the important task, it requires that proper policies, procedures be implemented. The corporations span through all the sectors of the government and cover the specialized functions that cannot be managed in the general roles of the parent ministries including aligning the county laws which is currently a challenge. This big proportion of the budget calls for the efficient use of the resource for the intended purposes and objectives. An efficiency and effective management system in State Corporation is, therefore, essential if they are to achieve their intended objectives

## **Literature Review**

Procurement studies have investigated topics such as the decision, supplier selection, contracting, internal control, ethics, and greater attention ought to be paid to more strategic concerns such as inter-firm collaboration (Murray, 2009). Ntayi (2009) suggested that procurement performance starts from purchasing efficiency and effectiveness in the procurement function to change from being reactive to being proactive to attain set performance levels in an entity. Public procurement manual (2008) counsels that a procurement plan is an instrument for implementation of the budget and should be prepared by the user departments with a view to avoiding or minimizing excess votes in the entities' budgets and to ensure that procurements do not proceed unless there are funds to pay for them. Agreeably Pollitt and Bouckaert (2001) in his findings underscores these facts and concludes that one of the major setbacks in public procurement is poor procurement planning and management of the procurement process which include needs that are not well identified and estimated, unrealistic budgets and inadequacy of skills of procurement staff responsible for procurement. Similarly, Kakwezi and Nyeko (2010) argue that procurement performance is not usually measured in most PEs as compared with the human resource and finance functions. They conclude in their findings that failure to establish performance of the procurement function can lead to irregular and biased decisions that have costly consequences to any public procuring entity.

Rotich (2011) argues that the evaluation or measurement of procurement performance has always been a vexing problem for procurement professionals. He asserts that traditionally, firms concentrate on analyzing their internal trends which does not portray the true picture on how they compare well with competitors. Such an approach ignores what the competitors are doing. Lian (2004) contends that an efficient public procurement system is vital to the advancement of African countries and is a concrete expression of their national commitments to making the best possible use of public resources. Equally, Kakwezi and Nyeko (2010) argues that the procurement departments of public entities in Uganda are faced with the problem of not having enough information about the procurement procedure, its inputs, outputs, resource consumption and results, and are therefore unable to determine their efficiency and effectiveness. For any organization to change its focus and become more competitive Amaratunga and Baldry (2002) suggest that performance is a key driver to improving quality of services while its absence or use of inappropriate means can act as a barrier to change and may lead to deterioration of the purchasing function. Procurement performance is not an end in itself, but a means to effective and efficient control and monitoring of the purchasing function (Larry & Flint, 2001). Also stated by Lloyd (2004) make the case plainly, observing that "the literature is silent on which resources and capabilities should be developed to accomplish specific purposes" in procurement.

The principal-agent theory is an agency model developed by economists that deals with situations in which the principal is in position to induce the agent, to perform some task in the principal's interest, but not necessarily the agent's (Health and Norman, 2004). Erridge and Greer (2002) explains that procurement managers including all civil servants concerned with public procurement must play the agent role for elected representatives. This theory is adopted by this study to help in investigating whether procurement managers adhere to the procurement practices that guides the flow in the procurement cycle. The factors are affecting the effective management of the procurement function present as obstacles to the principal-agent relationship that exists between the procurement managers and the stakeholders they represent: the clients and the appointing authority thereby affecting procurement performance. McCue and Prier (2007) connects

the problem of public purchases with the principal-agent theory. McCue and Prier (2007) noted that the government, which should be interested in gaining benefits for the citizens, is, in this case, the agent of the citizens.

### *Purchasing Practices*

Purchasing is a process of acquiring goods and or/services at the right quality, in the right quantity from the right sources delivered, to the right place at the right time and at the right price, in order to contribute to the administrative and strategic objectives of the organization (Schapper, 2008). Therefore according to (Lloyd, 2004) purchasing practices are strategies that may be followed when making company purchasing decisions. Lloyd, (2004) explains that these practices may include building supplier relationships, team-based approaches to purchasing and proper use of technology or e-procurement. Implementing procurement practices may therefore significantly improve the effectiveness of purchasing decisions. Similarly Lloyd (2004) noted that purchasing managers respond creatively to internal customers' need on the one hand and to maintain a mutual relationship with suppliers.

The most important purchasing practices may be improving the relationship between the buyers and suppliers. Lloyd (2004) noted that choosing a supplier based solely on competitive pricing is often viewed as short-sighted and may be ineffective. Schapper, (2008) noted that building a long-term relationship with a reliable supplier can result in better customer service and may prove to be more cost-effective over time. Constantly changing suppliers in search of the lowest price can be detrimental to a business (Schapper, 2008). Changing suppliers on a regular basis may result in less reliable service that can end up costing more if deadlines are missed or customers are dissatisfied hence impacting on procurement performance. Lloyd, (2004) also noted that some lower priced vendors may not stay in business as long, so the risk of having to switch suppliers again runs high. Lloyd, (2004) further noted that building a relationship with a steady supplier can help build a respectful business arrangement, and the supplier may be more likely to appreciate the steady business and make concessions when needed.

Lloyd, (2004) explains that for purchasing and supply function to be effective and efficient organizations have to depend on management's efforts to eliminate or reduce purchasing problems by ensuring there are proper systems and procedures in place. Schapper (2008) noted that suppliers have a key role and responsibility for providing good working conditions. But their efforts can sometimes be undermined the buying practices of their customers. Aduda, Chogi and Magutu (2013) noted that the impact of firm's performance gives some theoretical perspective insights into the contribution of the board to firm performance.

Purchasing planning is a process whereby procurement practitioners sketch out in advance an arrangement that diagram a plan as to what, which, when and how purchases are to be conducted in a given period. This plan considers what is to be procured (Goods, Works or Services), which method of procurement to be used based on regulated thresholds, and when and how the processing steps will be conducted and basically. Only when the purchasing function is well planned, it is easy to identify areas where it is performing well and where the need for improvement is expected (department of public work, Queensland Government, 2007).

There is great need to measure procurement performance due to accountability for government's obligation to demonstrate effectiveness in carrying out goal and producing the types of service that public wants and needs (Schapper, 2008). Lack of monitoring creates opportunities for corruption, delays in delivery, inequality products Martin (1999). Strategies to help increase accountability include information systems that measure how inputs are used to produce outputs.

To meet today's operating challenges, regional and local governments are turning to ICT to enhance the services for residents, and businesses improve internal efficiencies by lowering costs and increasing productivity. Government officials and elected leaders have increasingly come to realize that public agencies must utilize ICT to enhance the procurement processes in the public sector. Faced with tight budgets and a retiring workforce, today's government agencies are operating in an environment defined by

the need to ‘do more with less’ all the while working under constant resource constraints by adopting ICT (Helper & Sako, 2005).

Batenburg and Versendaal (2006) ethics are the moral principles or values that guide officials in all aspects of their work. Ethical behavior encompasses the concepts of honesty, integrity, probity, diligence, fairness, trust, respect and consistency and important in public procurement as it can reduce the cost of managing risks associated with fraud, theft, corruption, and other improper behavior and enhance confidence in public administration Batenburg and Versendaal (2006).

Professionalism is a purchasing practice in public procurement that relates not only to the levels of education and qualifications of the workforce but also to the professional approach in the conduct of business activities. If the workforce is not adequately educated in procurement matters, serious consequences including breaches of codes of conduct occur. Procurement staff, departmental heads, and all related stakeholders will need training, particularly in how to resolve dilemmas and competing priorities during contact implementation (Hui et al., 2011).

The environment of business is characterized by rising complexity, uncertainty, instability and volatility. Firms have to re-think the traditional methods and strategies for doing business due to the pressure of changing market conditions, intensified global competition, a radical change in technology and shorter product life cycle. Managers are now realizing that no matter how strong and resourceful their firms might be, they are no longer able to maintain a competitive advantage at every step in the value chain in all national market, nor are they able to maintain a cutting edge in the wide range of technologies required for the design, support cross-functional teams and marketing of new products (Jones, 2007).

Over time, this has proven to be problematic for some reasons. One is that such regulations are then subject to amendments and changes without a systematic effort to ensure consistency and coherence, thus contributing to the opaqueness of the legal framework (KIPPRA, 2006). Public Procurement Regulations (2013) focuses on 30% preference and reservation, amendment of various threads holds, including disposal within the newly established County Governments. The purpose of the Regulations is to operationalize the application of the Public Procurement and Disposal Act, 2005 in County Governments and promote local industries. Otherwise, the principles and tenets of Public Procurement and Disposal remain the same (PPDA, 2005).

Internal controls refer to the measures instituted by an organization so as to ensure attainment of the entity’s objectives, goals, and missions. They are a set of policies and procedures adopted by an entity in ensuring that an organization’s transactions are processed in the appropriate manner to avoid waste, theft, delays, and misuse of organization resources. Internal control comprises of control environment, the entity’s risk assessment process, the information and communication systems, control activities and the monitoring of controls and also strengthened by organizing seminars to enhance the capacity of procurement staff on compliance to the Procurement standards (Kenneth, 2013).

Supplier selection entails preparation of the bidding document, bid evaluation, issues invitation for bids, manage receipt/opening of bids or proposal, providing professional input to evaluation of tender, manage contract award to winning bidder, prepares contract signature with winning bidder and on the note the buyers also conduct market surveys in relation suppliers companies profile, experience, financial capability (Lian, 2004).

Outsourcing is the “contracting out” of functions that previous been provided by public employees to the private sector where their core competency is. This includes not only cost factors, but also market research and the identification of innovative suppliers, solutions and process outsourcing is a practice that provides value, efficiency, savings and quality advice for users, purchasing has to ensure that it is providing the best service in an integrated and accountable way into the existing processes, workflows and technology of the organization, so as to have minimal impact and disruption. This helps to build stakeholder confidence and improve relationships, also need to be involved in the value proposition and business case development for the outsourcing agreement (Lysons, 2013).

Contract management is the process of systematically and efficiently managing contract creation; the procurement managers prepare the contract with Key focus. Risk is the single word that determines every contract, adequate steps for risk mitigation must be taken in all public contracts. The greatest risk which must be mitigated in the management of the contract are: the supplier delivering late or not delivering at all, quality of goods and services required being of inferior quality, being charged higher cost than what the contract provide for and the risk of paying work not done (Public Procurement and Disposal General Manual, 2009).

### *Procurement Performance*

Procurement performance is a measure of identifying the extent to which the procurement function can reach the objectives and goals with minimum costs (Van Weele, 2002). Van Weele (2002) noted that there are two main aspects of the procurement performance: effectiveness and efficiency. Procurement effectiveness, as defined by Van Weele (2002), is the extent to which the previously stated goals and objectives are being met. It refers to the relationship between actual and planned performance of any human activity. Additionally, he explains that procurement efficiency is the relationship between planned and actual resources required to realize the established goals and objectives and their related activities, referring to the planned and actual costs. As a result, supplier performance is the most significant procurement performance driver.

Measuring procurement performance is important as the purchasing department plays an ever increasing role in the supply chain in an economic downturn (Vonderembse & Tracey, 1999). Vonderembse and Tracey (1999) explains that a reduction in the cost of raw material and services can allow companies to market competitively the price of their finished goods to win business. An obvious performance measure of the success of any purchasing department is the amount of money saved by the company (Nyeko, 2004). Procurement department, like all other departments in a corporation, is an element of the overall organization, which must contribute to the achievement of the corporate goals (Nyeko, 2004). Thus, a clear link between the corporate strategy and procurement strategy is crucial to understanding, follow and implement in each function and action (Vonderembse & Tracey, 1999). Buvik and John (2000) explained that procurement has always been integral to the performance of an organization. However, both Buvik and John (2000) further explained that with increasing unpredictability in the market, cut-throat competition and looming recession fears that procurement has become an extremely topical area of the senior level management.

### *Research Problem*

Purchasing practices and procurement performance has been attracting considerable attention from practitioners, academicians and research for decades due to poor performance resulting from non-adherence to proper processes and procedures as noted by Rameshwar and Chakrabarty (2013) and Magutu, Njihia & Mose (2013). The essence of an efficient public sector procurement system is to create wealth and ensure good governance in Ministries, Departments and Agencies (MDAs). Since procurement is the means by which public resources are protected, it is important to ensure efficiency and economy of the procurement system. Effective evaluation and monitoring of a procurement process have development impact on corporate economies of developing countries. Even though the adoption of procurement policies, rules and regulations are laudable, unfortunately compliance with such policies, principles, rules and regulations governing procurement has become a problem in most state corporations in Kenya as noted by KIPPRA (2006). Rameshwar and Chakrabarty (2013) conducted a study to understand how innovative practices in Supply Chain in combination with TQM help reduce cost, improve customer satisfaction and better share in return profitability, however, the study was on manufacturing companies using experimental approach and not Purchasing practices and procurement performance. In Kenya several studies have been done on various aspect of procurement such as Ntayi and Eyaa (2009) studied Collaborative relationships, Procurement practices and supply chain performance in small firms and their finding raise implications for owner/managers as well as policy makers such putting systems in place to support collaborative relationship

and improve procurement practices to ensure professionalism in order to improve supply chain performance in terms of timely deliveries, flexibility and customer satisfaction, this study is more general but relevant to the current study on purchasing practices and procurement performance of state corporations in Kenya.

### *Research Focus*

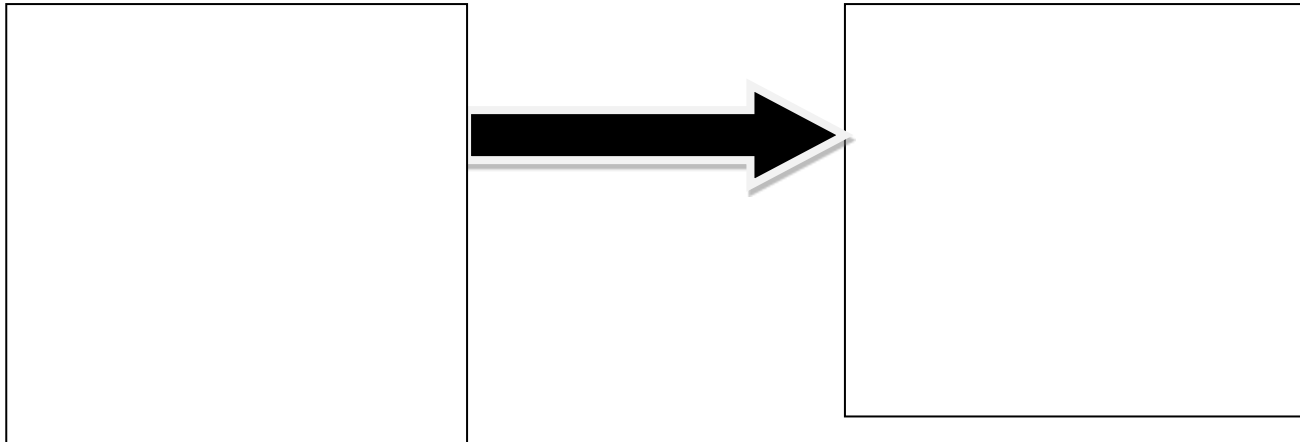
The increasing share of material costs and purchased services in the main global organizations Profit & Loss account highlights its growing significance. The need to align procurement objectives with that of the organization is becoming a necessity. In Kenya, a lot of state resources are channeled towards procurement of goods and services, with an aim of ensuring that the full cycle is completed efficiently (Akech, 2005). However, there reports of dissatisfaction with the whole or part of the process of procurement, which are said to impede subsequently successful implementation of government projects. Arguably this failure is widely blamed on the inefficient management of the procurement function. Kakwezi and Nyeko (2010) studied procurement process and performance and concluded that procurement efficiency and procurement effectiveness of the purchasing function are measures of procurement performance. Mensah, Diyuoh and Oppong (2010) examined supply chain management practice and its effect on performance at Kasapreko Company limited (KCL) and indicated that SCM practice had a significant influence on KCL business performance. Magutu, Njihia and Mose (2013) also did a study and found out the critical success factors, and challenges in e-procurement but their study was on large scale manufacturing firms. Ngugi and Mugo, (2010) studied internal factors affecting procurement processes and established that accountability, ICT adaptation and ethics affect procurement processes in public procurement function in Kenya which is relevant. However, the study did not cover state corporations in Kenya. All these studies did not cover the relationship between purchasing practices and procurement performance among state corporations in Kenya. This indicates a knowledge gap on the effects of purchasing practices on procurement performance of state corporations in Kenya. The study sought to answer the question: what state corporations use purchasing practices in Kenya? Is there a relationship between purchasing practices and procurement performance of state corporations in Kenya?

The following objectives guided this study: To determine the purchasing practices used by state corporations in Kenya; and To establish the relationship between purchasing practices and procurement performance of state corporations in Kenya.

### *Conceptual Framework and Hypothesis*

A theoretical Framework is a basic structure that consists of certain abstract blocks that represent the observational, the experiential and the analytical aspects of a process or system being conceived. The interconnection of these blocks completes the framework for certain expected outcomes. The framework is used in research to outline possible courses of action or to present a preferred approach to an idea or thought.

Figure 1: Conceptual Model



Source: Authors (2014)

The study attempts to establish a relationship between purchasing practices and procurement performance of State Corporation. The aspects of purchasing practices, monitoring and evaluation practices, ICT adoption practices, ethics practices, training and professionalism practices, management support practices, legislative practices, internal control practices, supplier selection practices, outsourcing practices and finally Contact management practices are the independent variables while procurement performance is the dependent variable

## Methodology of Research

### General Background of Research

The study used descriptive research design, which is the most applicable for the study. Orodho (2003) defines a research design as the scheme, outline or plan that is used to generate answers to research problems According to Cooper and Schindler (2003) a descriptive study is concerned with finding out the what, where and how of a phenomenon. Also, it is a cheaper method of studying the organization and coming up with accurate and deeper findings.

### Sample of Research

Target population as described by Mugenda and Mugenda (2003) as a universal set of study of all members of real or hypothetical set of people, events or objects to which an investigator wishes to generalize the result. The target population for this study was all heads and senior procurement officers in 253 parastatal in Kenya. Mugenda and Mugenda (2003) explained that the target population should have observable characteristics to which the study intended to generalize the result of the study. This definition assumes that the population is not homogeneous.

The sampling plan describes the sampling unit, sampling frame, sampling procedures and the sample size for the study. The sampling frame describes the list of all population units from which the sample will be selected (Cooper & Schindker, 2003). A sample of responding firms was drawn from 253 parastatal in Kenya.

Where external validity is important, one need to carry out random sampling from a properly defined population. In this view probabilistic sampling whose logic lies in selecting a truly random and representative sample that permits confident generalizations from the sample to a larger population will be done (Cooper & Schindler, 2003). Using probabilistic sampling, each population member has a known chance of being included in the sample. Statistically, for generalization to take place, a sample of at least 30 must exist (Cooper and Schindler, 2003). Moreover, larger sample minimizes errors. Kothari (2004) argues that if well chosen, samples of about 17% of a population can often give good reliability. Other



literature have shown that sample size selection to a great extent is judgmentally decided. At least 45 parastatals from a total of 253 parastatals in Kenya was randomly selected.

### *Instrument and Procedures*

Primary data was used in this study; it was collected using a self-administered questionnaire. Questionnaires are appropriate for studies of this nature since they collect information that is not directly observable as they inquire about feelings, motivations, attitudes, accomplishments as well as experiences of individuals (Kothari, 2004). The questionnaire comprised of both open and close-ended questions.

The validity of a research instrument is concerned with the accuracy with which the instrument measures what it is supposed to. This study used a questionnaire and tests its validity by use of content validity, which is a process of logical analysis that involves careful and critical examination of items in the research questionnaire. 25 head of procurement and senior procurement officers from parastatals were given the questionnaires to fill to ensure that they carry valid content. The reliability depended on the research questionnaire used in this study. It is, therefore, able to produce the same results if used by other researchers. To determine the reliability of the research questionnaire, a pre-test of the same was done.

### *Data Analysis*

Data analysis is the whole process that starts immediately after data collection and ends at the point of interpretation and processing data (Kothari, 2004). The researcher organized data in such a way that further analysis and interpretation of data can be made easily. The data was edited, coded and classified so as to present the results of the data analysis in a systematic and explicit way. To determine purchasing practices used by state corporations in Kenya the study used descriptive statistical package for social sciences (SPSS version 20); whereby frequencies, percentages, mean and standard deviations, generated from the various data categories was computed and shown in different graphs, tables, and figures.

A multiple regression model was used to determine the relative importance of each of the ten variables in relation to the study which sought to understand the what are the purchasing practices adopted by state corporations in Kenya and procurement performance. The regression model was as follows:

#### **Where:**

Y = Procurement Performance in State Corporation in Kenya

$\beta_0$  = Constant Term;  $\beta_{1,2,3,4}$  = Beta coefficients;  $X_1$  = Planning;  $X_2$  = Monitoring and Evaluation;  $X_3$  = ICT adoption;  $X_4$  = Ethics;  $X_5$  = Training and Professionalism;  $X_6$  = Management Support;  $X_7$  = Legislative;  $X_8$  = Internal Control;  $X_9$  = Outsourcing and  $X_{10}$  = Contract Management

## **Research Results and Discussions**

### *General Information and Profile*

The study targeted a sample of 45 parastatals in Kenya. However, data was collected from a total of 42 parastatals resulting in a response rate of 93%. This response rate was adequately representative of the target population and it conforms to Mugenda and Mugenda (1999) view that a response rate of 50% is adequate for analysis and reporting; a 60% response is rated as good, while a response rate of 70% and above is rated as excellent.

From the study findings, the majority (74%) of the respondents were male while female constituted 26%. In terms of level of education, majority (62%) of the respondents held bachelor's degree, followed by master's degree (19%), diploma (14%) and Ph.D. (5%). The findings show that the majority (36%) of the respondents had experience of 11-20 years in procurement and supply.

The study findings reveals that majority of the respondent had high academic qualifications and experience in procurement and supply thus were able to provide comprehensive data on the purchasing practices used by state corporations in Kenya and to establish the relationship between purchasing practices and procurement performance of state corporations in Kenya.

### *Purchasing Practices Used By State Corporations in Kenya*

The respondents were asked to indicate when their firms developed their procurement risk management practices for the first times. The first objective of the study was to establish the purchasing practices used by state corporations in Kenya. The findings and discussions for each are elaborated below:

*Planning Practices:* The respondents were asked to indicate the extent to which state corporations apply planning practices in Table 4.2. The response was rated on a scale of 1-5 on which: 1= Very small extent, 2=Small extent, 3= Moderate extent, 4=Great extent and 5=Very great extent. The response with a mean rounded off to 1 denotes no influence at all. In the same continuum, a response with a mean rounded off to 2-denotes little extent, 3-moderate extent, 4-great extent, and 5-very great extent. The respondents indicated that, to a great extent, the state corporation applies planning practices to identify areas where it is performing well and where the need for improvement is expected ( $m=4.01$ ,  $SD=0.10$ ), the state corporation prepare for each project before the start of the purchasing process ( $m=4.15$ ,  $SD=0.10$ ), purchasing unit in state corporation select the procurement method to use ( $m=4.24$ ,  $SD=0.19$ ). The respondents also indicated that, to a great extent, planning practices in State Corporation provide a core source document for other purchasing and contracting documentation ( $m=4.06$ ,  $SD=0.26$ ), planning practices provide the government procurement officers the opportunity to focus on the purchasing process at the earliest stage of a project ( $m=4.07$ ,  $SD=0.14$ ) and planning practices enable consideration of high-level issues before a contract is under way ( $m=4.17$ ,  $SD=0.12$ ). However, the respondents also indicated that, to a moderate extent, planning practices in state corporations gather stakeholder commitment and support at the earliest possible stage of the purchasing process ( $m=3.45$ ,  $SD=0.22$ ) and planning practices in State Corporation encourages debating and settling of issues early in the planning stage rather than later at contract approval stage, when it might be too late to change the purchasing procedures ( $x=3.35$ ,  $SD=0.21$ ). The study findings imply that the state corporation applies planning practices to identify areas where it is performing well and where the need for improvement is expected. The state corporation prepare for each project before the start of the purchasing process and purchasing unit in State Corporation select the procurement method to use The planning practices in State Corporation provide a core source document for other purchasing and contracting documentation. According to Rege (2001) procurement plans must be well integrated into the budget process based on the indicative budget as appropriate and in compliance with the procurement law (2005) and with wide support from the top management. The department of public work, Queensland Government (2007) argue that planning practices provide the government procurement officers the opportunity to focus on the purchasing process at the earliest stage of a project and planning practices enable consideration of high-level issues before a contract is underway. Only when the purchasing function is well planned, it is easy to identify areas where it is performing well and where the need for improvement is expected.

*Monitoring and Evaluation Practices:* The respondents were asked to indicate the extent to which state corporations apply monitoring and evaluation practices and the respondents indicated that, to a great extent, monitoring and Evaluation aid state corporation departments to manage activities better (this includes government service delivery as well as the management of staff) ( $m=4.07$ ,  $SD=0.27$ ), monitoring and evaluation in state corporation enhances transparency and supports accountability by revealing the extent to which government has attained its desired objectives ( $m=4.34$ ,  $SD=0.06$ ), monitoring and evaluation helps state corporation supply chain departments in their policy development and policy analysis work as the develop ( $x=4.18$ ,  $SD=0.21$ ). The respondents also indicated that monitoring and evaluation supports budgeting and planning processes in state corporations when there are often many competing demands on limited resources ( $m=4.07$ ,  $SD=0.17$ ), monitoring and evaluation helps in implementation of

programme Performance Information Framework in preparation for audits of non-financial information in state corporations ( $m = 4.05$ ,  $SD=0.14$ ). The study findings imply that monitoring and evaluation aid state corporation departments to manage activities better, enhances transparency and supports accountability by revealing the extent to which government has attained its desired objectives and helps state corporation supply chain departments in their policy development and policy analysis work as the develop. Monitoring and evaluation support budgeting and planning processes in state corporations when there are often many competing demands on limited resources and helps in preparation for audits of non-financial information in state corporations. According to Martin (1999), lack of monitoring creates opportunities for corruption, delays in delivery, inequality products

*ICT Adoption Practices:* On the extent to which state corporation apply ICT Adoption Practices the respondents indicated that, to a great extent, the government is turning to ICT to improve process efficiency by lowering costs and increasing productivity ( $m = 4.12$ ,  $SD=0.14$ ). The study established that, to a moderate extent, public authorities implements communication infrastructure to promote economic development( $m=3.37$ ,  $SD=0.15$ ), state corporation utilizes ICT to enhance purchasing processes to improve procurement performance ( $m = 3.45$ ,  $SD=0.15$ ), ICT Practices provide a standardized approach to rolling out efficient processes to not only procurement but all departments involved in transaction processing and financial record-keeping ( $m = 3.142$ ,  $SD=0.27$ ) and departments that have implemented e-procurement report that procurement, accounting, and other corporate functions are more productive now than with traditional buying methods ( $m = 3.39$ ,  $SD=0.13$ ). However, the respondents indicated that purchasing departments have not fully adopted ICT in purchasing have reduced transaction costs in state corporation ( $m=2.47$ ,  $SD=0.23$ ). The study findings on the application of ICT revealed that state corporations have not fully integrated ICT in purchasing and procurement. State corporations are yet to fully implements communication infrastructure to promote economic development, enhance purchasing processes to improve procurement performance. According to Helper and Sako (2005), government officials and elected leaders have increasingly come to realize that public agencies must utilize ICT to enhance the procurement processes in the public sector. ICT Practices provide a standardized approach to rolling out efficient processes to not only procurement but all departments involved in transaction processing and financial record-keeping (and departments that have implemented e-procurement report that procurement, accounting, and other corporate functions are more productive now than with traditional buying methods. Purchasing departments that have not fully adopted ICT in purchasing to reduced transaction costs in State Corporation.

*Staff Training and Professionalism Practices:* On the extent to which state corporation apply staff training and professionalism practices, the respondents indicated that, to a great extent, the purchasing department in state corporation is led by those with education, experience, and professional certification in public procurement ( $m = 4.18$ ,  $SD=0.15$ ), the government implements policies that public procurement officers must continually develop as a profession through education, mentorship, innovation, and partnerships ( $m = 4.249$ ,  $SD=0.15$ ), professional and job-related responsibilities are placed on personal gain and individual interest ( $m = 4.47$ ,  $SD=0.18$ ), staff training and professionalism practices ensures that there is clear and effective procurement policies and guidance in state corporations ( $m = 4.24$ ,  $SD=0.11$ ) and, staff training and professionalism practices helps to share knowledge of best training and development practice across the public sector for procurement professionals ( $m = 4.11$ ,  $SD=0.12$ ). The study findings indicate that, to a moderate extent, procurement staff, departmental heads and all related stakeholders get training to improve procurement performance ( $m = 3.01$ ,  $SD=0.12$ ) and, the government departments use due diligence tools such as supplier engagement forums and supplier questionnaires during tendering processes to improve procurement performance ( $m = 3.45$ ,  $SD=0.25$ ). The study findings indicate that that the purchasing departments in State Corporation are led by personnel with education, experience, and professional certification in public procurement. Professionalism practices help to share knowledge of best training and development practice across the public sector for procurement professionals. The study findings indicate that training is still lacking in terms of continuity, and the government departments do not

always use due diligence tools such as supplier engagement forums and supplier questionnaires during tendering processes to improve procurement performance. The study findings are in agreement with Hui et al. (2011) who argued that if the workforce is not adequately educated in procurement matters, serious consequences including breaches of codes of conduct occur. Procurement staff, departmental heads, and all related stakeholders will need training, particularly in how to resolve dilemmas and competing priorities during contract implementation.

*Management Support practices:* On the extent to which state corporation apply management support practices the study established that, to a great extent, the state corporations require technologies to maintain a cutting edge and support cross functional teams ( $m=4.04$ ,  $SD=0.11$ ), Departmental procurement plans are prepared before implementation of the projects and must get the accounting officer's approval ( $m=4.11$ ,  $SD=0.12$ ), state corporations covers specialized functions which parent ministries are not able to manage in order to improve procurement performance ( $m=4.10$ ,  $SD=0.26$ ), effective management systems in state corporation help achieve purchasing practices in order to improve procurement performance ( $m=4.15$ ,  $SD=0.15$ ). The study established that, to a moderate extent, managers in state corporations re-think strategies for doing business due to intensified global competition, radical change in technology, and shorter product life cycle ( $m=3.45$ ,  $SD=0.21$ ). The environment of business is characterized by rising complexity, uncertainty, instability and volatility. Firms have to re-think the traditional methods and strategies for doing business due to the pressure of changing market conditions, intensified global competition, a radical change in technology and shorter product life cycle. Managers are now realizing that no matter how strong and resourceful their firms might be, they are no longer able to maintain a competitive advantage at every step in the value chain in all national market, nor are they able to maintain a cutting edge in the wide range of technologies required for the design, support cross-functional teams and marketing of new products (Jones, 2007).

*Ethics Practices:* On the extent to which state corporation apply ethics practices, the study established that, to a great extent, the government implements policies that reduce the cost of managing risks associated with fraud, theft, corruption, and other improper behavior; and enhance confidence in public administration ( $m=4.08$ ,  $SD=0.17$ ), the government implements policies that ensure state corporations safeguard the procurement process from political or outside influence ( $m=4.14$ ,  $SD=0.11$ ), an effective way to maintain ethics awareness in state corporation is through training and seminars to improve on ways of record keeping, purchasing procedures ( $m=4.07$ ,  $SD=0.24$ ), the government implements policies for procurement professionals to avoid any overlap of duties in the procurement process ( $m=4.11$ ,  $SD=0.13$ ). However, the respondents indicated that, to a little extent, the government implements policies that ensure that public official do not lend money to or borrow money from any supplier ( $m=2.28$ ,  $SD=0.26$ ), the government implements policies that ensure that public official do not practice any and all potentials for nepotism ( $m=2.35$ ,  $SD=0.22$ ) and the government implements policies that ensure procurement professionals avoid any private or professional activity that create conflict of interest or the appearance of impropriety ( $m=2.31$ ,  $SD=0.28$ ). Ethics plays an important role in purchasing. The government implements policies that reduce the cost of managing risks associated with fraud, theft, corruption, and other improper behavior, and enhance confidence in the public administration. The government implements policies that ensure state corporations safeguard the procurement process from political or policies for procurement professionals to avoid any overlap of duties in the procurement process. According to Barrett (2000), an important and effective way to maintain ethics awareness in agencies is to provide training, seminars in more specific areas, such as procurement procedures, record keeping, records management, and accountability and administrative law.

*Legislative Practices:* On the extent to which state corporation apply legislative practices the study established that, to a great extent, legislative amendments are applied to ensure consistency and coherence by contributing to the transparency of the legal framework in the firm ( $m=4.02$ ,  $SD=0.11$ ), purchasing function interprets the 2005 Act in relation to the Regulation 2006 and 2013 to improve procurement performance ( $m=4.10$ ,  $SD=0.19$ ), Public Procurement operationalizes the application of Public

Procurement and Disposal Act 2005 to achieve procurement performance ( $m = 4.21$ ,  $SD = 0.15$ ), State Corporation governs the regulation and systems regulated by National Treasury circulars ( $m = 4.10$ ,  $SD = 0.13$ ) and, there are legislative provisions for the rotation of contracts to prequalified suppliers in State Corporation to ensure that the same enterprises do not get regular orders ( $m = 4.25$ ,  $SD = 0.16$ ). The study findings imply that legislation on procurement is applied in purchasing. The adherence to legislation ensures consistency and coherence in procurement. The study findings are in disagreement with KIPPRA (2006) which argued that regulations subject to amendments and changes without a systematic effort to ensure consistency and coherence, thus contributing to the opaqueness of the legal framework.

*Internal Control System Practices:* On the extent to which state corporation apply Internal Control System Practices, the study established that, to a great extent, internal control policies and procedures adopted avoid waste, theft, delays, and misuse of organization resources ( $m = 4.07$ ,  $SD = 0.14$ ), internal controls are strengthened by organizing seminars to enhance the capacity of procurement staff on compliance to the Procurement standards ( $m = 4.26$ ,  $SD = 0.11$ ), good system provide room for an effective internal control system subjected to periodic checks ( $m = 4.25$ ,  $SD = 0.16$ ). The study also established that state corporations include issues related to the organizational structure; record keeping; division and segregation of duties; authorizations and approvals; internal checks and competency of the staff. ( $m = 4.11$ ,  $SD = 0.12$ ) and state corporations develops standard operating procedures for the Supply Units to ensure that roles and responsibilities for the procurement in all offices are clearly defined and coordination is strengthened ( $m = 4.02$ ,  $SD = 0.01$ ). However, respondents indicated that, to a moderate extent, state corporations have developed a comprehensive plan to monitor purchasing activities carried out by implementing partners (IP) to ensure compliance with IP Procurement Guidelines ( $m = 3.09$ ,  $SD = 0.28$ ). The study findings on internal control systems revealed that state corporations develop standard operating procedures for the Supply Units to ensure that roles and responsibilities for the procurement in all offices are clearly defined and coordination is strengthened. The good system provides room for an effective internal control system subjected to periodic checks. Internal control policies and procedures adopted avoid waste, theft, delays, and misuse of organization resources. Internal controls are strengthened by organizing seminars to enhance the capacity of procurement staff on compliance to the Procurement standards. However, state corporations have no well-developed and comprehensive plan to monitor purchasing activities carried out by implementing partners (IP) to ensure compliance with IP Procurement Guidelines. According to Larry (2001) lack of control systems, adversely impact on the rate and quality of progress in realizing the objectives of national development, especially in developing and transition countries

*Supplier Selection Practices:* On the extent to which state corporation apply Supplier Selection Practices, the study established that, to a great extent, the user department prepares the qualification and evaluation criteria to enable the firm select potential supplier ( $m = 4.24$ ,  $SD = 0.22$ ), the purchasing unit manages the receipt/opening of bids or proposal ( $m = 4.33$ ,  $SD = 0.13$ ), purchasing unit provides professional advice during evaluation of tenders ( $m = 4.21$ ,  $SD = 0.18$ ), purchasing unit manages the contract award winning bidder ( $x = 4.13$ ,  $SD = 0.19$ ), a firm that maintains positive relationships with suppliers is a critical factor in sustaining a competitive advantage ( $m = 4.24$ ,  $SD = 0.74$ ). However, to a moderate extent, the supplier selection goes deeper to examine the capabilities of suppliers and establishment of long-term relations ( $m = 3.24$ ,  $SD = 0.24$ ). The study findings indicate that purchasing unit plays an important role in state corporations in terms of preparation of the qualification and evaluation criteria to enable the firm select potential, managing the receipt/opening of bids, providing professional advice during evaluation of tenders managing the contract award to successful bidder. Nevertheless, the supplier selection does always to go deeper to examine the capabilities of suppliers and establishment of long-term relations. The study findings are in tandem with Lian (2004) who argued that supplier selection provide professional input to the evaluation of tender and to manage contract award to the successful bidder. Cox (1999) also argue that the primary objective supplier selection and evaluation include cost reduction; attain real-time delivery equally considers trust and commitment, adequate finance, quality, adequate logistic technological capabilities.

*Outsourcing Practices:* On the extent to which state corporation apply Outsourcing Practices, the respondents indicated that, to a great extent, outsourcing in state corporations provides value, efficiency, savings and quality advice for users ( $m=4.28$ ,  $SD=0.11$ ), Outsourcing ensure that best services are integrated and accounted for the existing processes ( $m =4.31$ ,  $SD=0.12$ ). The study established that, to a moderate extent, the state corporation outsources for none core competency to increase productivity and improve procurement performance ( $m =3.42$ ,  $SD=0.11$ ), outsourcing ensures proper systems and procedures ( $m =3.06$ ,  $SD=0.02$ ) and outsourcing helps improve stakeholder confidence in purchasing processes ( $m =3.31$ ,  $SD=0.04$ ). On the other hand, the respondents indicated that, to a little extent, strategic planning in state corporations is strongly influenced by outsourcing practice ( $m =2.33$ ,  $SD=0.07$ ), outsourcing practices in state corporations has greatly contributed to deterioration in provision of goods and services ( $m =2.227$ ,  $SD=0.04$ ) and outsourcing policies are strictly adhered to and indicate how non-core purchasing activities should be outsourced ( $m =2.23$ ,  $SD=0.27$ ). The outsourcing in state corporations provides value, efficiency, savings and quality advice for users. Outsourcing ensures that best services are integrated and accounted for the existing processes. However, the state corporation is yet to outsource fully for none core competency to increase productivity and improve procurement performance, ensures proper systems and procedures, improve stakeholder confidence in purchasing processes. Outsourcing practice does not strongly influence strategic planning in state corporations, and outsourcing policies are not strictly adhered to. Good outsourcing practices helps to build stakeholder confidence and improve relationships (Lysons, 2013).

*Contract Management Practices:* On the extent to which state corporation apply Contract Management Practices, the study established that, to a great extent, parties negotiate the contract terms and conditions to ensure compliance during implementation ( $m =4.38$ ,  $SD=0.19$ ), contract management practices ensures effectiveness in communication input processes and output processes during the implementation ( $m =4.34$ ,  $SD=0.10$ ), and state corporation follow timelines during contract performance is taken into consideration ( $m =4.08$ ,  $SD=0.02$ ), Properly managed contract mitigate risk ( $m =4.35$ ,  $SD=0.014$ ). The study also established that best contract management practice ensures that the state corporation identifies which departmental needs can be best met by procuring products or services outside the organization ( $m =4.35$ ,  $SD=0.04$ ), good contract management practices ensures that each party's performance meets the contractual requirements ( $m =4.55$ ,  $SD=0.13$ ) and contract management committee performs contract closeout at the end of the project ( $m =4.03$ ,  $SD=0.69$ ). Contract management is an important practice in purchasing. Contract management practices ensure effectiveness in communication input processes and output processes during the implementation. Best contract management practices ensure that the state corporation identifies which departmental needs can be best met by procuring products or services outside the organization. Good contract management practices ensure that each party's performance meets the contractual requirements. Parties negotiate the contract terms and conditions to ensure compliance with implementation. The properly managed contract also mitigates risk. According to McCue and Prier (2007), contract management must provide review meeting periodically as found necessary for the purpose of performance.

### *The Relationship Between Purchasing Practices and Procurement Performance of State Corporations in Kenya*

The second objective of the study was to establish a relationship between purchasing practices and procurement performance of state corporations in Kenya. Table 1 shows procurement performance metrics from state corporations in Kenya.

**Table 1: Procurement Performance Metrics**

<b>FORMULATION Kshs</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>Averages</b>
Total expenditure for purchasing department Total budget for department	0.42	0.42	0.35	0.39	0.41	0.398
Total Savings realized from the budget Total budget allocated	0.27	0.33	0.15	0.06	0.05	0.172
Organization total expenditure Purchasing department total expenditure	2.33	2.37	2.81	2.51	2.40	2.484
Overall organization expenditure Total purchases incurred by 30% preference & reservation(AGPO )	3.36	2.14	3.36	3.35	3.34	3.11

Source: Research data

The study findings in Table 1 show that the average ratio of total expenditure for purchasing department to total budget for the department was 0.398 while the average ratio of total organization expenditure to purchasing department total expenditure was 2.484. The average ratio of total Savings realized from the budget to the total budget allocated was 0.172 while the average ration of overall organization expenditure to total purchases incurred by 30% preference & reservation (AGPO) was 3.11.

**Table 2: Procurement Performance Ratios**

<b>Formulation (Number)</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>Average</b>
Total number of staff trained in organization Total number of Purchasing staff trained	20	16	11	10	9	13.2
Number of training planned in the Department Number of actual training utilized	3	2	1	1	1	1.6
Total number of orders to suppliers Total number of orders to preference & reservation group (AGPO)	0	3	4	5	3	3
Total Number of suppliers cases reported Total number of actual cases solved	2	1	1	2	1	1.4
Number of times updates of Procurement Plan based on the market survey conducted	1	1	1	3	4	2
Total number of contracts awarded in the entire financial year Total number of contracts monitored and evaluated in the entire financial year	0	5	3	4	3	3
Number of contracts awarded financial year Number of Spend Analysis conducted	0	4	4	3	5	3.2
Number of projects Planed Number of time projects are completed on time	2	1	2	1	2	1.6
Number of market surveys conducted Total number of staff engaged	0.5	0.6	0.8	0.6	0.8	0.66
Number of participants engaged in survey Number of employee in department	20	12	12	15	15	14.8

Source: Research data

From the study findings in Table 2, the average ratio of the total number of staff trained in organization to the total number of purchasing staff trained was 13.2 and the ratio decreased across the period under investigation (2009 to 2013). The average ratio of the number of training planned by the

department to the number of actual trainings utilized was 1.6. The ratio decreased between 3 in 2009 to 1 in 2011 and remained constant to 2013.

The average ratio of the total number of orders to suppliers to the total number of orders to preference & reservation group (AGPO) was 3. The ratio kept fluctuating in the period 2009 to 2013. The average ratio of the total number of suppliers cases reported to the total number of actual cases solved was 1.4. The number of times updates of procurement plan based on the market survey conducted averaged at 2. The number of times updates of procurement plan kept increasing from 1 in 2009 to in 2013.

The average ratio of the total number of contracts awarded in the entire financial year to the total number of contracts monitored and evaluated in the entire financial year was 3, the average ratio of the number of contracts awarded financial year to the number of spend analysis conducted was 3.2, the average ratio of the number of projects planned to the number of time projects are completed on time was 1.6 and the average ratio of the number of participants engaged in survey to the number of employee in department was 14.8. The ratios kept fluctuating in the period 2009-2013 with general improvement across the period. The average ratio of the number of market surveys conducted by the total number of staff engaged was 0.66. The ratio remained relatively low and constant throughout the period 2009-2013. In general, the procurement performance ratios indicates a slight improvement in performance across the period 2009-2013.

**Table 3: Model Summary**

Model	R	R Square	Adjusted R Square	Sig.
1	.918	.843	.805	.000

*Predictors:* Planning, Monitoring and Evaluation, ICT adoption, Ethics, Training and Professionalism, Management Support, Legislative, Internal Control, Outsourcing, Contract Management  
*Dependent Variable:* Procurement Performance in State Corporation in Kenya

The study finding in Table 3 shows that the coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent variables) R Square equals 0.843, that is purchasing practices (planning, monitoring and evaluation, ICT adoption, ethics, training and professionalism, management support, legislative, internal control, outsourcing, contract management) explains 84.3% of observed change in the procurement performance in state corporation in Kenya. The P-value of 0.000 (Less than 0.05) implies that the regression model is significant at the 95% significance level.

**Table 4: Coefficients of Regression Equation**

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
Constant	1.441	0.358	.121	2.562	.029
Planning	.282	.813	.060	.346	.015
Monitoring and Evaluation	.145	.238	.203	.609	.016
ICT adoption	.282	.813	.060	0.346	.737
Ethics	.145	.238	.203	.609	.557
Training and Professionalism	.399	.551	.634	.724	.003
Management Support	.026	.699	.006	0.037	.971
Legislative	.383	.320	.541	1.197	.031
Internal Control	.253	.244	.323	1.039	.011
Outsourcing	.054	1.677	.009	.032	.975
Contract Management	.282	.813	.060	-.346	.021



*Dependent Variable:* Procurement Performance in State Corporation in Kenya

The regression equation becomes:

$$Y = 1.441 + 0.282X_1 + 0.145X_2 + 0.282X_3 + 0.145X_4 + 0.399X_5 + 0.026X_6 + 0.383X_7 + 0.253X_8 + 0.054X_9 + 0.282X_{10}$$

**Where:**

X<sub>1</sub>= Planning Practices; X<sub>2</sub>= Monitoring and Evaluation Practices; X<sub>3</sub>= ICT adoption Practices; X<sub>4</sub>= Ethics Practices; X<sub>5</sub>= Training and Professionalism Practices; X<sub>6</sub>= Management Support Practices; X<sub>7</sub>= Legislative Practices; X<sub>8</sub>= Internal Control Practices; X<sub>9</sub>= Outsourcing Practices and X<sub>10</sub>= Contract Management Practices

Then constant 1.441 shows that if all the independent variables (planning, monitoring and evaluation, ICT adoption, ethics, training and professionalism, management support, legislative, internal control, outsourcing, contract management) are rated at zero, the procurement performance in State Corporation in Kenya would be rated at 1.441.

The significance (probability) values show the significance of the relationship between independent and dependent variables. The level of confidence was set at 95% (0.05). The study findings in Table 4 shows a significant relationship between procurement performance and planning (p=0.015), monitoring and evaluation (p=0.016), training and professionalism (p=0.003), legislative (p=0.031), internal control (p=0.011) and contract management (p=0.021). However, there is no significant relationship between procurement performance and ICT adoption (p=0.737), ethics (p=0.557), management support (p=0.971) and outsourcing (p=0.975).

The independent variables in the regression model with positive coefficient have a direct relationship with the dependent variable. Therefore, procurement performance in State Corporation in Kenya varies directly with purchasing practices (planning, monitoring and evaluation, ICT adoption, ethics, training and professionalism, management support, legislative, internal control, outsourcing, contract management) (all the variables had positive coefficients).

### Summary of Research Findings

The study established application of the following purchasing practices by state corporations: planning, monitoring and evaluation, ICT adoption, ethics, training and professionalism, management support, legislative, internal control, outsourcing, contract management.

The study established that the state corporation applies planning practices to identify areas where it is performing well and where the need for improvement is expected. The state corporation prepare for each project before the start of the purchasing process and purchasing unit in State Corporation select the procurement method to use. The planning practices in State Corporation provide a core source document for other purchasing and contracting documentation. Planning in state corporations lacks stakeholder commitment and support at the earliest possible stage of the purchasing process. Planning practices in State Corporation do not fully encourages debating and settling of issues early in the planning stage rather than later at contract approval stage when it might be too late to change the purchasing procedures.

Regarding monitoring and evaluation, the study established that monitoring and assessment aid state corporation departments to manage activities better (this includes government service delivery as well as the management of staff. Monitoring and evaluation in state corporation enhances transparency and supports accountability by revealing the extent to which government has attained its desired objectives and helps state corporation supply chain departments in their policy development and policy analysis work as the develop. Monitoring and evaluation support budgeting and planning processes in state corporations

when there are often many competing demands on limited resources and helps in preparation for audits of non-financial information in state corporations.

The study findings on the application of ICT revealed that state corporations have not fully integrated ICT in purchasing and procurement. State corporations are yet to fully implement communication infrastructure to promote economic development, enhance purchasing processes to improve procurement performance. ICT Practices provide a standardized approach to rolling out efficient processes to not only procurement but all departments involved in transaction processing and financial record-keeping (and departments that have implemented e-procurement report that procurement, accounting, and other corporate functions are more productive now than with traditional buying methods. Purchasing departments that have not fully adopted ICT in purchasing to reduced transaction costs in State Corporation.

The study established that the purchasing departments in State Corporation are led by personnel with education, experience, and professional certification in public procurement. Professional and job-related responsibilities are placed on personal gain and individual interest, staff training and professionalism practices ensures that there are clear and effective procurement policies and guidance in state corporations and staff training and professionalism practices helps to share knowledge of best training and development practice across the public sector for procurement professionals. The government implements policies that government procurement officers must continually develop as a profession through education, mentorship, innovation, and partnerships.

Nevertheless procurement staff, departmental heads, and all related stakeholders do not get continuous training to improve procurement performance. The government departments do not always use due diligence tools such as supplier engagement forums and supplier questionnaires during tendering processes to improve procurement performance.

In terms of support from the management, the study established that departmental procurement plans are prepared before implementation of the projects and must get the accounting officer's approval. State corporations cover specialized functions that parent ministries are not able to manage, and effective management help achieve purchasing practices to improve procurement performance. However, managers in state corporations do not always re-think strategies for doing business due to intensified global competition, a radical change in technology and shorter product life cycle.

Ethics plays an important role in purchasing. The government implements policies that reduce the cost of managing risks associated with fraud, theft, corruption, and other improper behavior, and enhance confidence in the public administration. The government implements policies that ensure state corporations safeguard the procurement process from political or policies for procurement professionals to avoid any overlap of duties in the procurement process. Ethics in purchasing however lacks in terms of policies that ensure that public official do not lend money to or borrow money from any supplier, policies that ensure that public official do not practice any and all potentials for nepotism and policies that ensure procurement professionals avoid any private or professional activity that create conflict of interest or the appearance of impropriety.

The study established that legislative amendments are applied to ensure consistency and coherence by contributing to the transparency of the legal framework in the firm. In Kenya, purchasing function interprets the 2005 Act about the Regulation 2006 and 2013 to improve procurement performance. Public Procurement operationalizes the application of Public Procurement and Disposal Act 2005 to achieve procurement performance. State Corporation governs the regulation and systems regulated by National Treasury circulars, and there are legislative provisions for the rotation of contracts to prequalified suppliers in State Corporation to ensure that the same enterprises do not get regular orders.

The study findings on internal control systems revealed that state corporations develop standard operating procedures for the Supply Units to ensure that roles and responsibilities for the procurement in all offices are clearly defined and coordination is strengthened. The good system provides room for an effective internal control system subjected to periodic checks. Internal control policies and procedures adopted avoid waste, theft, delays, and misuse of organization resources. Internal controls are strengthened

by organizing seminars to enhance the capacity of procurement staff on compliance to the Procurement standards. However, state corporations have no well-developed and comprehensive plan to monitor purchasing activities carried out by implementing partners (IP) to ensure compliance with IP Procurement Guidelines.

The study established that purchasing unit plays an important role in state corporations in terms of preparation of the qualification and evaluation criteria to enable the firm select potential, managing the receipt/opening of bids, providing professional advice during evaluation of tenders managing the contract award to successful bidder. A firm that maintains positive relationships with suppliers is a critical factor in sustaining a competitive advantage. Nevertheless, the supplier selection does always to go deeper to examine the capabilities of suppliers and establishment of long-term relations.

The outsourcing in state corporations provides value, efficiency, savings and quality advice for users. Outsourcing ensures that best services are integrated and accounted for the existing processes. However, the state corporation are yet to outsource fully for none core competency to increase productivity and improve procurement performance, ensures proper systems and procedures, improve stakeholder confidence in purchasing processes. Outsourcing practice does not strongly influence strategic planning in state corporations, and outsourcing policies are not strictly adhered to.

Contract management is also an important practice in purchasing. Contract management practices ensure effectiveness in communication input processes and output processes during the implementation. Best contract management practices ensure that the state corporation identifies which departmental needs can be best met by procuring products or services outside the organization. Good contract management practices ensure that each party's performance meets the contractual requirements. Parties negotiate the contract terms and conditions to ensure compliance with implementation. The properly managed contract also mitigates risk.

## **Conclusions**

The study concludes that procurement performance of state corporations in Kenya is influenced by purchasing practices that include. Procurement performance of state corporations is mainly influenced by planning, monitoring and evaluation, training and professionalism, legislative, internal control and contract management. However, procurement is still lacking in terms of ICT adoption, ethics, management support and outsourcing.

Failure to integrate ICT in procurement reduces procurement performance of state corporations in Kenya. ICT provide a standardized approach to rolling out efficient processes to not only procurement but all departments involved in transaction processing and financial record-keeping. Departments that have implemented e-procurement report that procurement, accounting, and other corporate functions are more productive now than with traditional buying methods. Purchasing departments that have not fully adopted ICT in purchasing to reduced transaction costs in State Corporation.

The study concludes that state corporations are yet to achieve greater procurement performance improved performance harness benefits of purchasing practices due to lack of stakeholder commitment and support at the earliest possible stage of the purchasing process, inadequate application of ICT in purchasing, lack of continuous training to improve procurement, inability to come up with strategies to enhance competitive advantage on globally, the supplier selection does to always go deeper to examine the capabilities of suppliers and establishment of long-term relations. Ethics in purchasing however lacks in terms of policies that ensure that public official do not lend money to or borrow money from any supplier, policies that ensure that public official do not practice any and all potentials for nepotism and policies that ensure procurement professionals avoid any private or professional activity that create conflict of interest or the appearance of impropriety.

## Recommendations

The study recommends that State Corporation can enhance procurement performance by ensuring that all stakeholders are committed to procurement and support at the earliest possible stage of the purchasing process. The study recommends that State Corporation should encourage debating and settling of issues early in the planning stage rather than later at contract approval stage when it might be too late to change the purchasing procedures. The study recommends that procurement by state corporations can be improved through a monitoring and evaluation plan that enhances transparency, supports accountability and supports budgeting and planning processes. The study recommends that procurement by state corporations can be improved through the application of ICT that provide a standardized approach to rolling out efficient processes to all departments involved in transaction processing and financial record-keeping.

There is a need for talent management and career advancement among public procurement officers through education, mentorship, innovation, and partnerships.

The study recommends that government departments should always use due diligence tools such as supplier engagement forums and supplier questionnaires during tendering processes to improve procurement performance. Ethics in procurement by state corporations can be develop strict policies that ensure that public official do not lend money to or borrow money from any supplier, policies that ensure that public official do not practice any and all potentials for nepotism and policies that ensure procurement professionals avoid any private or professional activity that create conflict of interest or the appearance of impropriety.

The study recommends that state corporations can improve procurement by ensuring that the supplier selection go deeper to examine the capabilities of vendors and establishment of long-term relations. The positive relationships with suppliers is a critical factor in sustaining a competitive advantage. The state corporations should outsource for none core competency to increase productivity and improve procurement performance, ensures proper systems and procedures and improve stakeholder confidence in purchasing processes.

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