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EFFECT OF PROCUREMENT GOVERNANCE ON SERVICE DELIVERY IN THE MINISTRIES, DEPARTMENTS AND AGENCIES IN KENYA

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Abstract

The overall goal of the study was to establish the effect of procurement governance on service delivery in ministries, departments and agencies (MDAs) in Kenya. To fulfill this goal, a conceptual model was developed based on previously examined literature. A partial least squares structural equation modeling (PLS-SEM) model that corresponded to the conceptual model was also created. This study adopted a descriptive cross-sectional survey research design. To test the proposed relationship, a survey was done and data collected. This study's population included all public procuring institutions in Kenya. A total of 157 questionnaires were issued. PLS-SEM was used to evaluate the relationship proposed in the conceptual and SEM model of the study. A software with graphical user interface for variance-based structural equation modeling (SEM) using the partial least squares (PLS) path modeling method known as SmartPLS 3.3.3 software was used in the analysis. The objective of the study was to determine whether if indeed there was a relationship between procurement governance and service delivery. Results indicated that procurement governance has a positive and statistically significant effect on service delivery. The study findings confirm that procurement governance is a very crucial factor that enhances service delivery. Therefore, in order to enhance service delivery, organizations should purposefully manage procurement governance in terms of value for money, integrity, equity, fairness, competition, accountability and transparency. Studying service delivery in public entities was limited to the fact that these entities utilize public funds to provide those services. Further research is critical to find out the characteristics of service delivery in the private sector. This will provide information about decision making variables in that environment. Procurement governance was restricted to processes. Further research is necessary to analyse how organizational structure as a governance issue may affect service delivery. Decision making through the organogram can be tasking due to the bureaucratic nature of wide organizational structures.

Keywords: Procurement Governance, Service Delivery, PLS-SEM

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Introduction

The provision of sufficient, affordable and quality basic services through public administration has become a general public topical issue over the past decade. The delivery of goods and services is a robust process established through a framework governing procurement proceeding (Leenders, Johnson, Flynn, & Fearon, 2010). Business ethics in the process and structure of procurement governance expectations are putting procuring entities under pressure from the public for control and probity in service delivery (Knight, Harland, Telgen, Thai, Callender, & McKen, 2007). Consequently, procuring entities are institutionalizing procurement performance as a measure of identifying the extent to which they are achieving their operational objectives (Njoki & Kimiti, 2018). To achieve these objectives, governments have enforced regulatory compliance by entrenching accountability and competitiveness on use of integrative technology (Graham, Amos, & Plumpre, 2003). There is growing interest on the relationship between uses of procurement governance on service delivery (Ibrahim, Ahmad, Shahad & Asif, 2015). Flinders (2004) explains procurement governance as the relationships between public procurement and the multiple policy makers to implement best practices.

Strategic decisions in governance require legal frameworks that enforce competitiveness, transparency, efficiency, fairness, accountability, value for money and equity for efficiency. Leenders et al. (2010) view service delivery as a system that manages the speed and quality of services, materials and information from for customers' consumption. Creating an effective service delivery within the procuring entity involves recognition of competitive pressure as well as internal governance with good alignment with the needs to be met (Krajewski, Malotra, & Ritzman, 2016). Organization's functions are

taking collaborative positions to ensure operations strategy and competitive priorities guide the supply chain choices. Benton (2014) posits that the procurement outcome is service delivery in form of right quality, delivered on timely manner on determined delivery dates and with negotiated payment dates. Government ministries form the basic functional units of national government in Kenya (Akicho, Oloko, & Kihoro, 2016). The role of the ministries is to provide and monitor implementation of government policies necessary for public administration.

The government agencies are permanent or semi-permanent organizations established through legislation or executive powers to undertake certain functions on behalf of the government. The Ministries, Departments and agencies (MDAs) are defined as public entities that procure or dispose assets in line with public procuring practices. The MDAs in Kenya are bestowed with responsibilities to deliver among other services; healthcare, infrastructure, education, security, information communications technology (ICT) and energy; with public procurement estimated at 10% of Kenya's gross domestic product (GDP), the quality of goods and services delivered to the procuring entities should meet user specifications to serve the purpose for which they were intended (OECD, 2003). Despite reforms in the public procurement systems, especially use of integrative technologies, there are reported cases of procurement governance irregularities such as secret procurement activities, inefficiency, corruption and conflict of interest leading to huge wastage of public resources affecting service delivery (Odhiambo & Kamau, 2013). The general public is the consumer of most goods and services procured through the systems of the public procurement (Leenders et al., 2010). Service delivery is attainable when procurement capacities and compliance with procurement legal framework are institutionalized (OECD, 2005). Robust governance protocols become evident through

social and economic reforms when transparency and competitive processes are enhanced (Callender et al., 2007). This study sought to answer the following research question; what is the effect of procurement governance on service delivery in MDAs in Kenya?

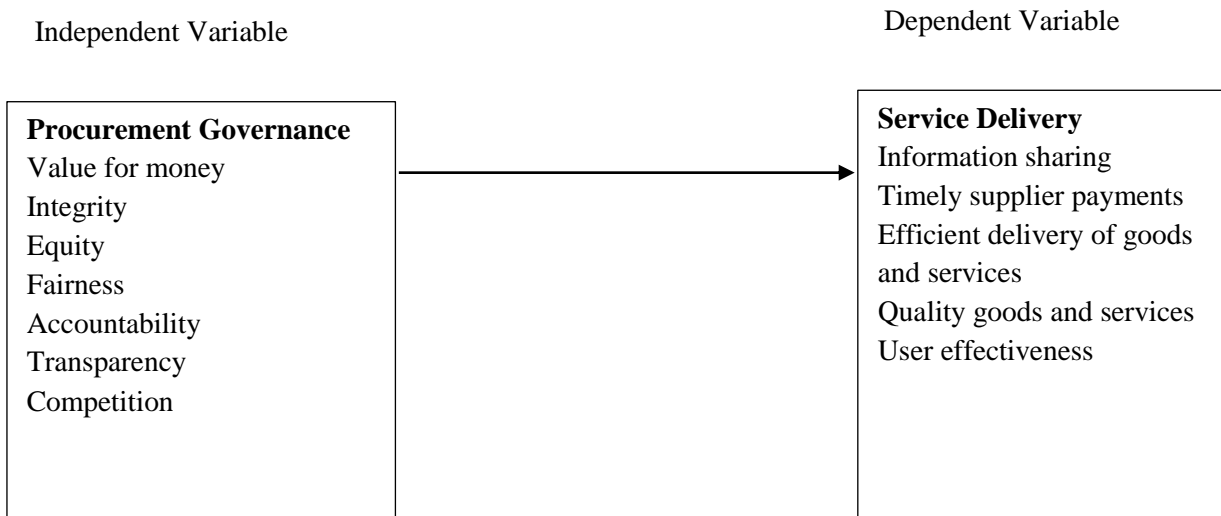
Literature review

Procurement governance is a framework designed to promote transparency, accountability, inclusiveness, rule of law, participation, empowerment and equity (Schroeder, Goldstein, & Rungtusanatham, 2013). A study conducted on governance and service delivery by Kusi, Aggrey, and Nyarku (2014) established that execution of public procurement policy on the educational sector required conforming with the public procurement law with transparent and accountable procedures in order to achieve efficient service delivery. Public procurement legal framework addresses how to adopt governance practices to ensure compliance with procurement proceedings for service delivery. A study by Okinyi and Muturi (2016) revealed that legislative provisions were prerequisite in maximizing economy and efficiency, promoting competition and ensuring fair competition.

Today, procuring entities focus on improving the service delivery by coordinating activities effectively and simplifying processes involved in those chains (Lysons & Farrington, 2012). The main emphasis in governance is on sourcing strategy for value of money; bidding process for fairness and accountability; supplier evaluations for transparency, supplier award programs for delivery efficiency which are the variables of a vibrant service delivery mechanism (Slack et al., 2010). A study by Odhiambo and Kamau (2013) established that public officials misrepresent legal interpretation to use certain procurement

methods to fix the participation of targeted firms in procurement. Further operationalization of sub-constructs in governance and service delivery would have addressed how to measure good governance and how to enhance the interpretive capacity in order to relate directly with service delivery. This study proposes that procurement governance including its identified principles has a significant effect on service delivery.

In order to reduce delivery lead times, the annual procurement planning provides procurement schedules; creating process value in absorption of resources and cost savings (Sople, 2011). Competitive procurement process encompasses aligning procurement activities with demand for efficient service delivery (Handfield et al., 2013). However, Public Procurement Oversight Authority (2007) reported that most of the procurement entities in the country faced challenges applying frameworks in practice and complying with laws and regulations. A study by Kipchilat (2006) evaluated the impact that public procurement regulation had on national public universities and established that public procuring entities needed to conform to regulations in place for them to enhance service delivery. However, Salim (2013) concluded that inadequacy of staff, late goods deliveries, ambiguous specifications and sub-standard goods and services resulted to disputes that affected efficiency within service delivery processes. This study proposes that procurement performance has significant influence on service delivery. The conceptual framework for the study is shown in Figure 1. The key independent variable is procurement governance and the dependent variable is service delivery.



Research Methodology

This study adopted a descriptive cross-sectional survey research design. The population of this study was all public procuring entities in Kenya. There are 157 public procuring entities comprising government ministries, departments and agencies (MDAs). The MDAs constitute 21 ministries, 42 State Departments, and 94 State Agencies (Government of Kenya, 2019). A census will be the most appropriate for this study and with a population of 157, partial least squares structural equation modeling (PLS-SEM), becomes a suitable data analysis technique for the study (Wong, 2011). Data analysis was completed using Statistical Package for the Social Sciences (SPSS) version 25 and SmartPLS 3.3.3. SEM analytical technique for testing hypothesis, and general test for model predictive relevance were all included in the subsequent inquiry. 138 completed responses were received, resulting in a response rate of 88%. From 138 returned questionnaires 16 responses were found to be unusable hence rejected and eliminated. Consequently, a total of 122 questionnaires provided the data for subsequent analysis. The study hypothesis was; procurement governance has no significant effect on service delivery.

Research Findings and Discussion

The objective of this study was to determine if procurement governance affects service delivery in Kenyan MDAs. To do this, PLS-SEM analysis using Smart PLS was utilized. In this study, the statistical analysis process involved two-step procedure as suggested by Henseler et al. (2009) for assessing and reporting results from collected data of PLS-SEM path models. The two-step procedure includes measurement model assessment (outer model) and structural model assessment (inner model). Because the two constructs, procurement governance and service delivery, are both reflective, the final results were extensively verified for reliability and validity before being interpreted. The study examines the indicator loadings or outer model of the two constructs. The results are presented in Table 1. In this study the construct with loadings below 0.40 were deleted and eliminated. Procurement governance construct originally had 25 indicators, 1 was dropped leaving 24 indicators. The results show that most indicators of the two latent constructs have individual indicator reliability values that are larger than the minimum acceptable level of 0.4.

Table 1: Outer Model Loadings

Latent Variable	Indicators	Loadings	Indicator Reliability	T statistics	P Values
Procurement Governance	PGVM	0.562	0.316	4.358	0.00
	PGI	0.615	0.378	7.897	0.00
	PGE	0.580	0.336	8.140	0.00
	PGF	0.653	0.426	6.863	0.00
	PGC	0.628	0.394	8.187	0.00
	PGA	0.600	0.360	6.210	0.00
	PGT	0.558	0.311	6.042	0.00
Service Delivery	SDIS	0.705	0.497	11.987	0.00
	SDTSP	0.690	0.476	13.724	0.00
	SDEDGS	0.720	0.518	14.501	0.00
	SDQGS	0.670	0.448	7.325	0.00
	SDUE	0.703	0.494	11.677	0.00

Source: Research Data, 2021

The first criterion to be examined in measurement model is internal consistency reliability. Composite reliability results are as follows; procurement governance construct 0.933 and service delivery construct 0.926. All the composite reliability results were higher than the recommended value of 0.70 threshold (Henseler et al., 2012) which validates

convergent validity and reliability. The Cronbach's Alpha values for the two constructs are above the threshold of 0.7 and are also statistically significant implying internal consistency of the constructs. In the study, the obtained average variance extracted (AVE) values for procurement governance and service delivery constructs were 0.370 and 0.484 respectively as shown in the table below.

Table 1: Construct Internal Consistency Reliability

Construct	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Procurement Governance	0.924	0.933	0.370
Service Delivery	0.924	0.934	0.484

Source: Research Data, 2021

When taken together with the values of composite reliability (which were higher than 0.6 for each construct), the convergent validity was established. The second phase of PLS-SEM assessment involves examination of the structural (inner) model. After running the PLS-SEM method, estimates for the structural

model path coefficients which reflect the hypothesized relationships between the constructs, are obtained. The path coefficient estimates, t values, p values, and confidence intervals for the model were, $\beta = 0.771$, $t = 12.577$ and $P < 0.05$ as shown in table 2 below.

Table 2: Model Path Coefficients

Constructs	Path Coefficients	T Statistics	P Values	95% Confidence intervals
Procurement Governance - > Service Delivery	0.771	12.577	0.000	[0.622, 0.868]

Source: Research Data, 2021

The model integrated one exogenous latent construct, procurement governance and one endogenous latent construct, service delivery. The following are the coefficient of determination, R^2 values for the variable at $p < 0.05$ significant level; service delivery at $R^2 = 0.595$, $t = 6.360$, $p < 0.000$. This means that 60% (0.595) of the variance in service delivery is explained by the model and statistically significant at $p < 0.05$ level as shown in table 3 below.

Table 3: Predictive Power R^2

Endogenous latent construct	R^2	T Statistics	P Values
Service Delivery	0.595	6.344	0.000

Source: Research Data, 2021

The coefficient of determination for the variable was moderate. The study findings shows the f^2 value for endogenous construct (service delivery) was significant at $p = 0.034$.

Exogenous construct (procurement governance) has a large size effect of 1.46 on service delivery as shown in table 4 below.

Table 4: Effect size f^2

Construct Variable	f^2	T Statistics	P values
Procurement Governance -> Service Delivery	1.467	2.117	0.034

Source: Research Data, 2021

Removing exogenous construct will have an impact on R^2 value. This study findings indicated the Q^2 values of the endogenous construct service delivery were significantly

above 0. More precisely service delivery has Q^2 value of 0.264 as shown in table 5 below.

Table 5: Predictive Relevance Q²

Latent Construct Variable	SSO	SSE	Q ² (=1-SSE/SSO)
Procurement Governance	2928	2928	
Service Delivery	1830	1346.814	0.264

SSO - Sum of squared observations; SSE - sum of squared predictive errors

Source: Research Data, 2021

These results provide clear support for the model’s relatively medium predictive relevance regarding the endogenous latent variables of service delivery and procurement performance.

Discussion

The objective of this study was to establish the effect of procurement governance on service delivery in MDAs in Kenya. A structural model and a hypothesis were developed to answer the research question. One exogenous latent construct variable (procurement governance) and one endogenous latent construct variable (service delivery) were integrated in the model. The following hypothesis was tested. Hypothesis proposed that procurement governance has no significant effect on service delivery. PLS-SEM analysis was used to test this hypothesis. The path coefficients results were, $\beta = 0.771$, $t = 12.577$, $p < 0.001$. The predictive power results were, $R^2 = 0.595$, $t = 6.344$, $p < 0.001$ and $f^2 = 1.467$. This indicates that 59.5% (0.595) of the variance in service delivery in this model can be explained by procurement governance.

These results indicate a positive statistically significant relationship between procurement governance and service delivery. The f^2 effect size is large. Based on the analysis outcome, procurement governance with its associated measures registered a statistically significant relationship with service delivery. Therefore, H1 is rejected at $t > 1.96$, $p \leq 0.05$ significance level.

Hypothesis involved testing whether there is a relationship between procurement governance and service delivery. This involved testing the direct relationship between procurement governance and service delivery. The results generated were as follows, $\beta = 0.771$, $t = 12.577$, and $p < 0.001$ while $R^2 = 0.595$, $t = 6.344$, $p < 0.001$. This means that when the model involves only procurement governance and service delivery, findings reveal a positive and significant path relationship at a significance level of 0.05. It also means that 59.5% of the variation in service delivery can be explained by the variation in procurement governance. Stoker (1998) extends the issue of public administration through the delivery of services. Today’s society is governed by leaders who are expected to be democratic while also accountable for providing services to citizens (Ostrom, 1973). The link between governance with enforcement to rules, was crucial to test to establish the authenticity of the claim that this results in the desired control by public administrators to supply services (Mathiasen, 1996).

Procurement governance serves as a foundation for the implementation of controls and constraints on how organizations attempt to achieve their goals. Tsoi (2017) emphasizes the need of accountability and transparency through sharing information with all stakeholders. Procurement governance is critical for firms to operate efficiently and reduce operational risks.

Conclusion and Implications

There have been few studies conducted globally and locally on procurement governance and service delivery. Scholars have linked procurement governance to service delivery. Mwikali (2016), in her study on procurement governance, recommended the implementation of planning, record management, a complaints report mechanism, disposal, and a code of ethics to ensure that no loopholes exist for the misappropriation of public resources, which is still a major concern among citizens. This implies that ethical practices are very critical in governance matters.

According to a study on governance and service delivery conducted by Kusi et al. (2014), the implementation of public procurement policy in the educational sector necessitated compliance with public procurement law through transparent and accountable procedures in order to achieve efficient service delivery. Dzuke (2015) focused his research on the problems in Zimbabwe's public procurement process that affect service delivery, the difficulties encountered, and how the process may be modified to improve service delivery. He found that the lengthy procurement process, absence of thresholds, and lack of sufficient training and awareness of procurement regulations and processes all had an impact on service delivery. It is therefore implied that policies in organizations are central and must also be in line with existing procurement laws. This will in return enhance procurement performance.

Today, procuring entities are focusing on increasing service delivery by effectively coordinating operations and simplifying processes involved in those chains (Lysons & Farrington, 2012). The primary focus of governance is on sourcing strategy for value for money; bidding process for fairness and accountability; supplier evaluations for transparency; and supplier award programs for

delivery efficiency, all of which are components of a healthy service delivery mechanism (Slack et al., 2010). Because of the vast sums of money involved, as well as the fact that the money originates from the public, there is a need for accountability and openness in government procurement (Hui et. al., 2011). Due to inefficiencies and losses in the operations of state-owned firms, the government is forced to bear significant procurement obligations (SCAC, 2013).

The results of the current study on the relationship between procurement governance and service delivery support the theories of governance which pertain to the use of public finances in the process of acquiring products and services required for the common good of public service users.

The results of the current study indicate a positive and significant relationship between procurement governance and service delivery. This implies that revelation were in line with previous empirical studies such as Otieno (2019) who found that procurement governance had a significant positive effect on service delivery. The study recommended that there is need to offer more training to the Nairobi City County employees to increase their understanding on procurement issues. Empirical studies by Anane et al., (2019) found that 73.6% variations in service delivery were explained by procurement policy, procurement planning and sustainable procurement.

The government is tasked with providing residents with services that would otherwise be unavailable to the public at reasonable prices. According to Saravanan and Shreedhar (2011), service delivery comprises providing services that are of high quality, fulfill public needs, exceed their expectations, and are conveniently available to all persons who require them. Delivering high-quality services is critical for service providers who want to generate and offer value to their customers (Grönroos & Ravald, 2011).

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