

Role of Procurement Practices on Procurement Performance in State Corporations in Kenya: A Case of Kenya Forest Service

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Abstract: Even though many corporations have adopted the following procurement practices in order to enhance their procurement performance: improvement on the level of compliance with procurement regulations, effective supplier relationship management, e-procurement and green procurement; Kenya is continuously losing billions of dollars due to procurement related corruption. This generated a lot of complaints among the stakeholders thus raising the concern about the roles of adopting the fore-mentioned procurement practices by state corporations in Kenya. The study focused on 120 employees working in different levels of management who are directly involved in procurement activities in the organization. The sampling frame was the Human Resource register at KFS. The population sample was 55 respondents. The stratified sampling technique was used since the population from which the sample is drawn does not constitute a homogenous group. Structured questionnaires containing both open ended and closed ended questions were employed to collect primary data. The questionnaires were filled and returned for analysis. Data collected was analyzed using both qualitative and quantitative data analysis approaches with the aid of Statistical Package for Social Science (SPSS) version 23. Analysis of variance, correlation and regression analysis was also used while analyzing data. Descriptive analyses such as frequencies and percentages were used to present quantitative data in form of frequency distribution tables and graphs such as bar charts and pie charts on major research questions while open ended questions were analyzed qualitatively, arranged thematically and presented on narrative form to draw conclusions and recommendations. Results show that procurement practices play a role in varying extents on procurement performance in state corporations in Kenya

Keywords: Green procurement, Procurement policy, and Procurement practices.

1. INTRODUCTION

In all countries in the world, estimates of the financial activities of government procurement managers are believed to be approximately 10% – 30 % of GNP (Callender & Mathews, 2000). Because of this huge size of budgetary allocation for procurement, there is need for efficiency in handling procurement operations. However, despite its significance in the economy; Osir,(2016) explored the role of e-procurement adoption and found that procurement activities in the public sector in Kenya suffers from four protracted hitches: Firstly, traditional procurement process permits infamous maverick buying practice which represents a situation where employees make unplanned purchases from non-preferred suppliers at a higher price; secondly, procurement policies are not well developed and hence adopting the same becomes a serious challenge; thirdly, there are series of bureaucracy in the public procurement process thus giving rise to poor service delivery; and finally, procurement is traditionally a labor-intensive activity and, as such, managers spend considerable time on 'non-value-added activities' .

Statement of the problem:

In Kenya, government procurement amongst state corporations accounts for more than 11% of the GDP (Kamotho, 2014). Despite of this significance; studies reveal that procurement practices among state corporations in Kenya has not been given the attention it deserves. Njeru, (2015) observed that none of the state corporations have successfully managed to adopt procurement practices. This has led to increased procurement expenditure and high institutions operational costs. However, he recommended the factors that could be used to adopt procurement practices. These include: improvement on the level of compliance with procurement regulations, adoption of effective supplier relationship management techniques and integration of procurement functions with ICT based systems. Having adopted the fore mentioned factors; procurement among state corporations is still grappling with challenges characterized by poor service delivery, high cost of procurement, increased procurement lead -time and non-compliance with procurement policy (Osir, 2016). Similarly, goods delivered are substandard since suppliers do not clearly understand the expectation of the corporations. Additionally, court cases relating to non-compliance with environmental requirements by corporations are ever up surging. Besides, wanton cases of non-compliance with environmental requirements among procurement practitioners; and cases of malpractices related to public procurement are on the rise. This then raises the question, 'what is the role of procurement practices on procurement performance in state corporations in Kenya?' It is against this backdrop that necessitated this study to be conducted.

Objectives:

1. To examine the role of e-procurement on procurement performance in state corporations in Kenya.
2. To assess the effect of supplier relationship management on procurement performance in state corporations in Kenya.
3. To determine the role of procurement policy on procurement performance in state corporations in Kenya.
4. To establish the effect of green procurement on procurement performance in state corporations in Kenya.

2. THEORETICAL REVIEW**Technology Acceptance Model:**

The technology acceptance model (TAM) is an information systems theory that models how users come to accept and use a technology (Davis, 1989). User acceptance of technology has been an important field of study for over two decades now. Although many models have been proposed to explain and predict the use of a system, the Technology Acceptance Model has been the only one which has captured the most attention of the Information Systems community. This makes this model key in explaining all aspects regarding the use of information and com A combination of Resource Based View (RBV) and Transaction Cost Economics (TCE) are important to the study of supplier management. This is due to the fact that superior performance achieved in supply chain activities relative to competitors, would explain how these activities can be supported by suppliers; and how supplier selection and appraisal can contribute to the supply chain core competences (Ho & Dey 2010). Resource Based View (RBV) is based on the idea that the effective and efficient application of all useful resources that the company can muster helps determine its competitive advantage. It thus refers to the firm's internal value creation through its resources and capabilities. Value can be created from supplier relationship management through learning mechanisms, routines and experience. RBV applies the aspects of external and internal social relations, power distribution and the level of dependency on external counterparts. It aims at the optimization of the continuity of the business and the autonomy of a firm (Wernerfelt, 1995).

Institutional Theory:

Institutional theory is a theory on the deeper and more resilient aspects of social structure. It considers the processes by which structures, including schemes, rules, norms, and routines, become established as authoritative guidelines for social behavior (Scott, 2005). According to Kraft's Public Policy (2007), Institutional Theory is a "Policy-making that emphasizes the formal and legal aspects of government structures." As such, Institutional theory is viewed as a theoretical framework for analyzing social (particularly organizational) phenomena, which views the social world as significantly comprised of institutions – enduring rules, practices, and structures that set conditions on action. Institutional Theory considers institutions as fundamental in explaining the social world because they are built into the social order, and direct the flow of social life. They are the constants that determine the rules of variation. Institutions condition action because

departures from them are automatically counteracted by social controls that make deviation from the social order costly. These controls associate nonconformity with increased costs, through an increase in risk, greater cognitive demands, or a reduction in legitimacy and the resources that accompany it (Palthe, 2014; Scott, 2005).

Resource Dependence Theory:

Resource dependence theory (RDT) is useful in exploring all aspects pertaining to the adoption of green procurement in the corporation. RDT is the study of how the external resources of organizations affect the behavior of the organization (Hillman, et al, 2009). The basic argument of resource dependence theory can be summarized as follows: organizations depend on resources; these resources ultimately originate from an organization's environment; the environment, to a considerable extent, contains other organizations; the resources one organization needs are thus often in the hand of other organizations; resources are a basis of power; legally independent organizations can therefore depend on each other; power and resource dependence are directly linked; and finally, power is thus relational, situational and potentially mutual (Drees & Heugens, 2013). This means that in RDT, dependence of one party provides the basis for the power of the other (Biermann, & Harsch, 2017).

Conceptual Framework:

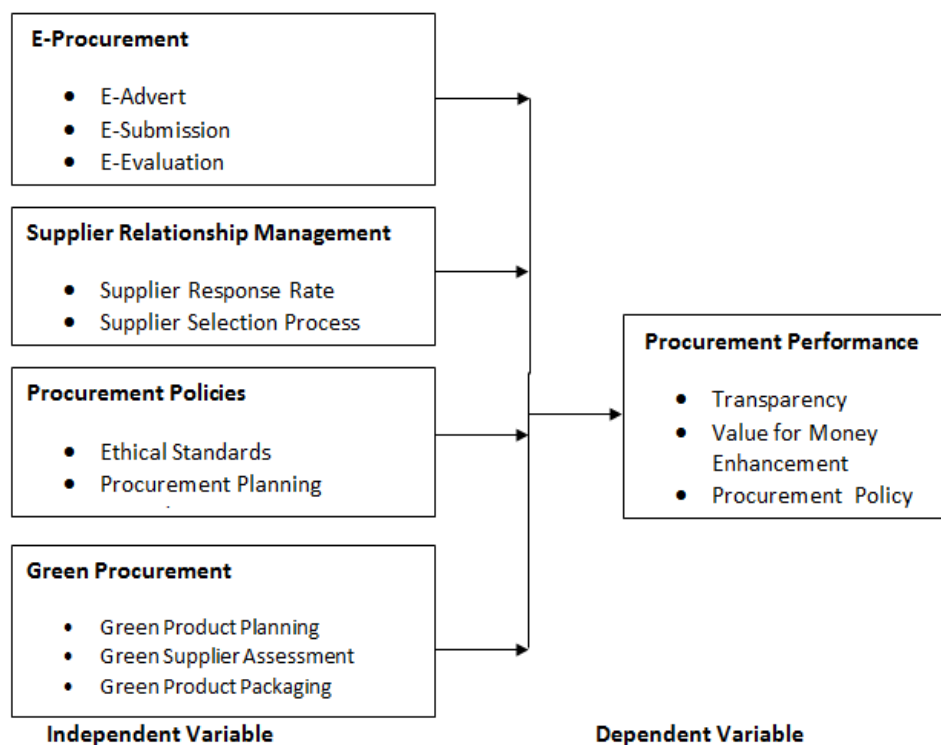


Figure 2.1: Conceptual Framework

Critique of the Existing Literature:

In the study of procurement policy adoption; Davis, (2014) revealed that even though procurement policy in terms of rules and regulations have been adopted in state corporations, they lack flexibility thus hampering procurements operations. However, this was challenged by Njeru, (2015) who opines that none of the state corporations had successfully adopted procurement policies thus leading to increased procurement expenditure and high operational costs.

Research gaps:

In study conducted in the United Kingdom's public sector, Walker and Brammer (2009) revealed that there is significant variation across public sector agencies in the nature of sustainable procurement practice. Cost was found to be the leading barrier to sustainable procurement, and top management support the leading facilitator. These revelations could be true; however, in the Kenyan public sector corporations, the findings could be totally different and incongruent. As such, this study examined the role of procurement practices on procurement performance in state corporations in Kenya.

3. RESEARCH METHODOLOGY

The research design used in this study was descriptive research design. Thus, as the target population; the study focused on 120 employees working at KFS in the following management levels: Top level management, Middle level management and Lower level management. The sample obtained from the population was a representative of the same population. The study adopted the stratified sampling technique. The researcher used questionnaires as research instruments to collect data. The statistical Package for Social Sciences (SPSS) was used for data analysis purpose.

Model:

The study employed time series multiple regression method. In this study the following was the regression equations that were used to test the significance of the study hypotheses:

$$y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where:-

y= Dependent variable (Procurement Performance)

X₁=Independent variable (E-procurement)

X₂= Independent variable (Supplier Relationship Management)

X₃= Independent variable (Procurement Policy)

X₄= Independent variable (Green Procurement)

$\beta_1 - \beta_4$ = Regression coefficient for each independent variable;

ε –Random or stochastic term

4. RESULTS AND DISCUSSION

Regression Results:

Table 4.1: Coefficients of Determination

Variable	Un standardized Coefficients		Standardized Coefficients (b)	t=b/σ	Sig.
	B	Std. Error (σ)			
(Constant)	2.837	0.112		0.000	0.0000
E-procurement	0.708	0.632	0.7084	1.121	0.0127
Supplier relationship management	0.598	0.396	0.4070	1.028	0.0144
Procurement policies	0.637	0.075	0.0849	1.133	0.0136
Green procurement	0.482	0.557	0.3600	0.563	0.0237

The researcher conducted a multiple regression analysis so as to determine the role of procurement practices on procurement performance in Kenya Forest Service. The established model for the study was:

$$Y = 2.837 + 0.708 X_1 + 0.598 X_2 + 0.637 X_3 + 0.482 X_4$$

The regression equation above has established that taking all factors into account (e-procurement, supplier relationship management, procurement policies and green procurement) constant at zero procurement performance in Kenya Forest Service would be 2.837. The findings presented also show that taking all other independent variables at zero, a unit increase in the e-procurement would lead to a 0.708 increase in the scores of procurement performance in Kenya Forest Service and a unit increases in the scores of supplier relationship management would lead to a 0.598 increase in procurement performance in Kenya Forest Service.

The study also found that a unit increase in procurement policies would lead to a 0.637 increase in procurement performance in Kenya Forest Service, while a unit increase in green procurement would lead to a 0.482 increase in procurement performance in Kenya Forest Service. Overall, e-procurement had the greatest effect on the procurement performance in Kenya Forest Service, followed by procurement policies then supplier relationship management while green procurement had the least effect on the procurement performance in Kenya Forest Service. All the variables were significant ($p < 0.05$).

The researcher further used a correlation matrix to test for multi-collinearity of the effects of e-procurement, supplier relationship management, procurement policies and green procurement on procurement performance. Correlation matrix helped the researcher determine which variable was not strong enough in the model so that only the strong variables were picked for the model.

Correlation Results:

Table 4.2: Karl Pearson's Product Moment Correlation Matrix

	Procurement Performance	E-Procurement	Supplier Relationship Management	Green Procurement	Procurement Policies
Procurement Performance	1				
E-Procurement	0.533	1			
<i>p-value</i>	$p < 0.05$				
Supplier Relationship Management	0.4322	0.3551	1		
<i>p-value</i>	$p < 0.05$	$p < 0.05$			
Procurement Policies	0.5639	0.3311	0.1004	0.4576	1
<i>p-value</i>	$p < 0.05$	$p < 0.05$	$p < 0.05$	$p < 0.05$	
Green Procurement	0.5291	0.424	0.0971	1	
<i>p-value</i>	$p < 0.05$	$p < 0.05$	$p < 0.05$		

Table 4.13 shows that there procurement performance had a moderate positive correlation with e-procurement ($r=0.533$; $p < 0.05$), supplier relationship management had a moderate positive correlation with e-procurement ($r=0.3551$; $p < 0.05$), green procurement had a moderate positive correlation with procurement Policies ($r=0.4576$; $p < 0.05$) and procurement performance had a moderate positive correlation with supplier relationship management ($r=0.4322$; $p < 0.05$). The correlation coefficients between procurement performance against e-procurement, supplier relationship management, procurement policies and green procurement were 0.533, 0.4322, 0.5639 and 0.5291 respectively indicating strong relationship between the variables. The results indicate that the correlation coefficients for all variables were less than 0.05 implying that the study data did not exhibit severe multi-collinearity. Therefore, were accepted indicating that procurement performance, e-procurement, supplier relationship management, green procurement and procurement policies significantly correlate with one another in the model and there were no multi-collinearity among them.

5. CONCLUSIONS

From the findings of the study, the following conclusions were made. Procurement practices play a role in varying extents on procurement performance in state corporations in Kenya. Similarly, the study sought to establish the hindrances of supplier relationship management on enhancing procurement performance. Findings indicated that there is lack of transparency, there are multiple players involved in the procurement process with overlapping roles which creates coordination challenges. The study further required the respondents' views on the impediments of green procurement practices on supply chain performance in the Corporation. They revealed that policy on green procurement is inadequate and that it is difficult to understand the concept of green procurement; there is lack of training of staffs responsible for carrying out specific tasks, lack of practical tools and information and lack of financial resources and environmental know-how for the low level commitment to green procurement.

6. RECOMMENDATIONS

The study recommend that there is need of upgrading and adopting the new modern ways of conducting procurement over the internet to avert cases of cyber-crime; offering ICT based training on procurement staffs to enhance e-procurement skills. Similarly, on the problems of supplier relationship management, there is need of proper supplier evaluation criteria that can create room for effective supplier management, systems supporting transparency and accountability should be enhanced.

On the hurdles of procurement policy on enhancing best procurement practices in state corporations in Kenya, there is need of adequate budgetary allocation, supplier education on procurement policies and creation and enforcement of measures for monitoring and evaluating the procurement policies.

Finally, on the question of green procurement, there is need for enhancing the policy on green procurement and further conduct awareness on the concept of green procurement; the need for boosting commitment by allocating adequate financial resources and controls of environmental issues to all stakeholders in the supply chain.

Areas for Further Research:

During the study; a number of obstacles and hindrances facing the role of procurement practices on procurement performance in state corporations in Kenya were identified. There is need therefore for further studies to be carried out on the factors affecting the uptake of procurement practices within state corporations in Kenya. Similarly, in the study; it was noted that procurement policy does not address the aspect of supplier relationship management exhaustively. It is therefore imperative that public procurement policy should be reviewed to capture the impact of procurement policy on supplier relationship management in state corporations in Kenya. Finally, the notion of green procurement is not well known; there is need for further research to be carried out to explore the institutional responses to green procurement adoption among state corporations in Kenya.

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