

# Role of Procurement Policy on Procurement Performance in State Corporations in Kenya

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**Abstract:** The study sought to determine the role of procurement policy on procurement performance in state corporations in Kenya. The study was considered important because the government organizations across the world spend substantial amounts on public procurement ranging between 8% and 25% of GDP. This study adopted a case study descriptive research design. The population was the 431 staff currently working at Kenya Power regional headquarters. Stratified random sampling was done where number of respondents per strata was determined in relation to total population. The study used both primary and secondary data. Primary data was collected by the use of structured questionnaires while secondary data was collected from already existing materials such as company's website, company's reports and announcements and other external sources such as the media. Regression analysis was used to show the overall relationship between the independent and dependent variables. Correlation analysis was used to show the strength of the association between the each independent variables and dependent variable. Procurement Policy was found to positively relate to procurement performance in state corporations.

**Keywords:** Procurement, Policy, Performance, State Corporations.

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## 1. INTRODUCTION

The function has changed conventional purchase and suppliers' role in public institutions to strategic management to optimize returns while cutting costs, enhancing competition and accountability, fostering the culture of fair play in the business industry and eradication of corruption (Chirchir & Gachunga, 2015). For any procurement to achieve the expected benefits, it ought to be efficient, transparent and offering value for money (Kabaj, 2003). However, many procurement activities majorly in public sector still suffer from neglect, lack of proper direction, poor co-ordination, slow with a lot of bureaucracy, lack of transparency, differing levels of corruption and not having a cadre of qualified procurement specialists (Njeru, 2014). Benchmarking has been used as a tool, a methodology and a technique for continuous improvements in sectorial operations to gain and maintain competitive advantage. Participating on benchmarking has promoted a culture of thinking about quality, assessing one's own performance and taking responsibility for it. This is aimed at improving customer relations and promoting self-criticism (Ogden & Wilson, 2000). Depending on how excellent, good, bad or indifferent an organization's operations are, it determines the direction, urgency and priorities for a sound base of appetite for change and for a continuous drive to enhance quality. At its simplest competitive performance standard, it would consist merely of judging whether the achieved performance of an operation is better than, the same or worse than that of its competitors (Norman, 2001). Use of procurement benchmarking foster innovation, identify gaps and trajectories, and enhance the quality of products and services (Dattakumar & Jagadeesh, 2003). Additionally, at the level of the government, procurement benchmarking was used to formulate policies intended to affect performance at various levels, in order to achieve a specific target. To maximise the benefits of benchmarking, institutions must undergo a thorough self-analysis and have a clear understanding of their own processes which may be more useful than the comparison with another organisation. In order to be successful and to ensure positive outcomes for all partners, benchmarking must be approached with some insight into the potential pitfalls and problems that may arise. Potential challenges include the need to ensure agreed outcomes for all partners and selecting an appropriate partner (Wilson, *et al.*, 2000).

## 2. STATEMENT OF THE PROBLEM

Government organizations across the world tend to spend between 8% and 25% of GDP on goods and services (OECD, 2006). In Germany public procurement accounts to about 19% of the GDP (European Commission, 2011) while in Kenya, procurement consumes 45% of the national budget, excluding local government procurement (Njogu & Gichinga, 2016). Consequently, public procurement has been recognized as a function that plays a key role in successful management of public resources and most countries have made an effort to integrate it into a more strategic view of government efforts (Ambe and Badenhorst-Weiss, 2012). Efficient procurement among the public institutions optimize returns while cutting costs, enhancing competition and accountability, fostering the culture of fair play in the business industry and eradication of corruption (Chirchir & Gachunga, 2015). For the procurement function to achieve these benefits, it ought to be efficient, transparent and offering value for money (Kabaj, 2003). However, public procurement activities still suffer from neglect, lack of proper direction, poor co-ordination, slow with a lot of bureaucracy, lack of transparency, differing levels of corruption and not having a cadre of qualified procurement specialists (Njeru, 2014) and hence objectives of public procurement have not been achieved. The challenges of public procurement can be addressed by adoption of procurement benchmarking that is capable of addressing inefficiencies and stimulate competition (Nullmeier, 2004) that is necessary to create an incentive effect in terms of comparing one's practice to other's practice, experiencing best practice, locating performance gaps (Keehley & Abercrombie, 2008). For that reason, benchmarking has been considered as particularly well suited for public administration (Pollitt & Bouckaert, 2000). Further, benchmarks are able to raise the standards of public services without incurring additional costs (Kuhlmann, 2004). Additionally, Kenya's public sector has over the years been associated poor service delivery as a result of practices such as corruption, nepotism and tribalism. The last decade has also seen a lot of efforts by Kenya Power to improve the services offered to the citizens. The company, like other companies in the Kenyan public sector, introduced performance contracting, customer centric service as well as improving ease of access of services through the use of technology in various processes including procurement. However strategies on service delivery improvement are yet to have any significant impact on the nature of the services delivered to the customers since in some cases, these strategies are adopted without any strategic planning. This study aimed to shed more light onto the use of procurement benchmarking as a strategy geared towards enhancing procurement performance. In particular, the study determined the role of procurement policy, on procurement performance in state corporations in Kenya.

## 3. LITERATURE REVIEW

A procurement policy is simply the rules and regulations that are set in place to govern the process of acquiring goods and services needed by an organization to function efficiently (Findlay, 2009). The exact process sought to minimize expenses associated with the purchase of those goods and services by using such strategies as volume purchasing; the establishment of a set roster of vendors, and establishing reorder protocols that help to keep inventories low without jeopardizing the function of the operation. Both small and large companies as well as non-profit organizations routinely make use of some sort of procurement policy. There is no correct way to establish a procurement policy, factors such as the size of the business, the availability of vendors to supply necessary goods and services, and the cash flow and credit of the company often influence the purchasing procurement approach.

The size of the company is likely to make a difference in the formation of procurement policy, in that a small company may not be able to command the volume purchase discounts that a large corporation can manage with relative ease (Golder, 2007). Government agencies are very bureaucratic in nature and are extremely reluctant to change their current habits and practices. Procurement policy benefits the organization by keeping costs in line and clearly defining how purchases will be made (Hall, 2009). Procurement policy is a factor influencing service delivery. Contribution of procurement policy in facilitating an efficient and effective service delivery in public sector organizations is generally undisputed in both developed and developing countries. Public procurement laws and regulations have been considered as one of the most important pillars of a sound procurement system. Procurement laws and regulations lead to procurement efficiency or inefficiency. There has always been a debate about a procurement legal framework that hinders or helps procurement discretion. Ideally, procurement laws and regulations should be clear, consistent, comprehensive, and flexible (Thai, 2009). Procurement planning is a factor influencing service delivery. Basheka (2004) argues that procurement planning is one of the primary functions of procurement with a potential to contribute to the success of government operations and improved service delivery. It is a function that sets in motion the entire acquisition/procurement process of acquiring services in local governments.

#### 4. RESEARCH METHODOLOGY

This study adopted a descriptive research design. The population of the study was all the staff currently working at Kenya Power regional headquarters. The study used both primary and secondary data in conducting the study. Primary data was collected by the using structured questionnaires. The questionnaires comprised of both open ended and close ended questions. A five point Likert scale was used for the respondents to choose their responses which then enabled the researcher to quantitatively analyse the data. Questionnaires were used to collected data since they are relatively easy to analyse and cheap to administer. The open-ended items helped in collecting qualitative data. The qualitative data was analysed by grouping quotations from the respondents by categories and coding of the particular common responses was done so that the quotations from particular themes was presented as frequency distributions and percentages in thematic forms according to research questions.

#### 5. FINDINGS

The study sought to establish the relationship between Procurement policy and the procurement performance. To attain this, the respondents were required to rate the following statement related to procurement policy using a scale of 1 to 5 where 1 is very small extent, 2 is small extent, 3 is some extent, 4 is large extent and 5 is to a very large extent. Table 1 shows the results obtained.

**Table 1 Role of Procurement Policy on Procurement Performance**

Role of Procurement Policy	F	%	F	%	F	%	F	%	F	%	Mean	SD
	VSE		SE		SOE		GE		VLE			
Enhances policies flexibility	4	6	7	11	9	14	36	56	8	13	3.58	1.05
Improves the procurement planning	0	0	13	20	18	28	28	44	5	8	3.39	0.9
Adherence to the legal framework makes procurement process time consuming	0	0	12	19	16	25	25	39	11	17	3.55	0.99
The legal framework is followed in the procurement processes in my company.	0	0	16	25	21	33	19	30	8	13	3.3	0.99
Policies provide standard understanding of the procurement process	43	67	18	28	2	3	1	2	0	0	1.39	0.63
The prevailing legal framework is too bureaucratic and encourages corrupt practices	4	6	20	31	23	36	17	27	0	0	2.83	0.9
Ignorance of the PPDA guidelines	6	9	20	31	27	42	11	17	0	0	2.67	0.87
Inefficiency of the PPOA on enforcing the penalties to the offenders	10	16	11	17	23	36	20	31	0	0	2.83	1.05
Lack of organizational incentives and pressures for Public procurement guidelines implementation	6	9	25	39	19	30	14	22	0	0	2.64	0.93

*Key: VSE=very small extent, SE= small extent, SOE= some extent, GE= great extent, VLE= very great extent, F=Frequency, SD=Standard Deviation*

On whether procurement policy enhances policies flexibility, a mean of 3.58 was obtained. On its impact on the adherence to the legal framework makes procurement process time consuming a mean of 3.55 was obtained. On whether procurement policy improves the procurement planning, a mean of 3.39 was obtained. The legal framework is followed in the procurement processes in my company had a mean of 3.3. On the prevailing legal framework being too bureaucratic and encourages corrupt practices a mean of 2.83. The inefficiency of the PPOA in enforcing the penalties to the offenders, a mean of 2.83 was achieved. On the ignorance of the PPDA guidelines, a mean of 2.67. Whereas lack of organizational incentives and pressures for Public procurement guidelines implementation as a result of procurement policy marking, a mean of 2.64. On the other hand, policies providing standard understanding of the procurement process due to

procurement benchmark a mean of 1.39. This thus means that procurement policy impacts on the procurement performance to some extent as most of the statements had means of 3. However, the policies providing standard understanding of the procurement process due to procurement benchmark had a lowest mean. This thus raises the need to increase the involvement of standard understandings in the procurements. In establishing the relationship that exists between the procurement policies on procurement performance in state corporations in Kenya, a Pearson Correlation of 0.447 was obtained with a p-value of 0.000. The positive coefficient indicates a positive correlation between the research variables. Thus, an increase in the procurement policy would cause increased procurement performance. The effect is significant at both the 95% and 99% confidence levels due to the p-value obtained is less than both 0.05 and 0.01. The study aimed at determining how Procurement policy impacts on the procurement performance. The study established most of the roles had means of 3. However, the policies providing standard understanding of the procurement process due to procurement had a lowest mean. In establishing the relationship that exists between procurement policy and procurement performance in state corporations in Kenya, Pearson Correlation of 0.447 was obtained with a p-value of 0.000. The positive coefficient indicated a positive correlation between the research variables which was significant. Thus an increase in the procurement policy would cause increased procurement performance. The public procurement laws and regulations have been considered as one of the most important pillars of a sound procurement system. Procurement laws and regulations lead to procurement efficiency or inefficiency.

## 6. CONCLUSION

The study concludes that procurement policy has positive and significant effect on procurement performance in state corporations in Kenya.

## 7. RECOMMENDATIONS

The study established that the importance of procurement expertise among the employees at the organization. This study therefore recommends that the national government organizes employee trainings and workshops to train them on technical skills. This will increase their expertise and thus contribute greatly to the efficiency in procurement process. So as to increase the level of accountability, efficiency and efficient management in public sector's procurement, the study recommends that the state corporations adopt procurement benchmarking practices. Procurement oversight committee that will oversee the procurement benchmarks should be appointed. The study also recommends that the government should undertake more awareness programmes to create positive stance towards government projects amongst stakeholders where procurement benchmarking falls.

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