

FACTORS AFFECTING PERFORMANCE OF PROCUREMENT FUNCTION AMONG PUBLIC TECHNICAL TRAINING INSTITUTIONS IN KISUMU COUNTY, KENYA

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Abstract

Public procurement has increasingly become prominent in both public and private sector. This study's general objective is to evaluate the factors affecting the performance of the procurement function among public technical training institutions in Kisumu County Kenya. The study focused on the specific objectives of analyzing three main methods of public procurement, which are: effects of information technology on performance of procurement function in public technical training institutions, establishment of extent in which competency of staff influence performance of procurement functions and to enumerate the ethical issues affecting decision making in performance of procurement functions in public technical training institutions. Primary data was collected by using questionnaires. Data was analyzed using quantitative analysis by employing both descriptive and inferential statistics. The study concludes that information technology, ethics and staff competency have a positive effect on performance of the procurement function in technical training institutions. It therefore recommends that the use of information technology in the two institutions be enhanced so as to deliver success in the performance of procurement functions, competence of employees should be promoted in both institutions and work ethics being a fundamental in the success of any organizations performance should be observed in all procurement departments.

Keywords: performance, procurement, ethics, Information Technology, competency of staff

INTRODUCTION

All procurements irrespective of monetary valuation must follow a standard sequence of actions as specified in the Public Procurement and Disposal Act 2007. In order to realize the objectives of the procurement function the process has to follow the laid down procedures and this eliminates the possibility of poor performance. In the entire world, every business organization depends on conversion of inputs (goods/services) into outputs both tangible and intangible that must be put in place in an effective logistical system to ensure its operations run effectively and efficiently. Despite the importance of public procurement, limited scientific research has been undertaken to examine factors that influence performance of the procurement function in technical training institutes in Kenya. Kabaj (2003) concludes that an efficient public procurement system is vital to the advancement of all countries and is a concrete expression of their national commitments to making the best possible use of public resources. Non-adherence to standardized procurement processes culminates in poor co-ordination within various departments and enhances presence of leakages of financial resources, which turns out to be costly component to the whole management process of the procurement function (Knight, 2010). The logistical system has to give emphasis to two key elements; product sourcing and timely acquisition by the ultimate consumer. Of these two elements, this paper concentrated on the first one; sourcing of inputs which is a line departmental functionality strategically placed at the whims of procurement department.

Statement of the Problem

Procurement is the nerve centre of performance in every institution, whether public or private and thus needs a tight system to be followed and adopted. The implementation of the procurement Act 2005 and the subsequent regulations and guideline have faced many challenges in many public institutions in Kenya (Nyakundi, E., Kombo, C., Omari, R., Mongare, O. 2012). Many procurement activities still suffer from neglect, lack of proper direction, poor co-ordination, slow with a lot of bureaucracy, lack of open competition and transparency, differing levels of corruption and not having a cadre of trained and qualified procurement specialists who are competent to conduct and manage the procurement process in a professional, timely and cost effective manner (Mburu, S. Njeru, A. 2014). According to corruption perception index (2010) Kenya is ranked 139th out of 176 with the least corrupt countries at the top. Some of the major scandals witnessed in Kenya history include; cemetery, maize, Anglo-leasing and Triton petroleum where billions of shillings were lost through the procurement function (Kioko J. N., Were S. 2014). Effective procurement process is one in which efforts are made at all times to have a transparent and corruption free process and use of good practices (Ombaka, 2003).

Public procurement has important economic and political implications by ensuring that the process is efficient and economical. This has a requirement that the main actors including stakeholders, professional associations, academic entities and the general public understand the whole process of procurement. Unfortunately, in many public institutions the process is still shrouded with secrecy, inefficiency and corruption (Nyakundi, E., Kombo, C., Omari, R., Mongare, O. 2012). This prompted the researchers to conduct this research study with a view to establish factors affecting performance of the procurement function among public technical training institutions in Kisumu county, Kenya.

Objectives

The study had the following specific objectives;

- i. To determine effect of Information Technology on performance of the procurement function in public Technical Training Institutions in Kisumu County, Kenya.
- ii. To establish the extent in which competency of staff influence the performance of the procurement function in public Technical Training Institutions in Kisumu County, Kenya.
- iii. To enumerate how ethical issues effect decision making in performance of the procurement function in public Technical Training Institutions in Kisumu County, Kenya.

LITERATURE REVIEW

Information Technology in Procurement

Information Technology is a term that encompasses all forms of technology used to create, store, exchange and use of information in its various forms. According to Davila, Gupta and Palmer (2003), any technology designed to facilitate the acquisition of goods over the Internet can be defined as e-procurement.

In Kenya, manual systems have been a source of major inefficiencies in the regulation and operations of the procurement function. Therefore there is need to adopt ICT in order to ensure proper functioning of the procurement system. To meet today's operating challenges, technical institutions are turning to ICT to improve the services for suppliers and other customers in order to lower operating costs and improving performance. Online communication, online tender advertising and computerized tendering process influences performance of the procurement function. IT offers smoother and faster process flow, efficient distribution of information, decentralization of tasks and decisions, increased transparency and better control (Mburu, S. Njeru, A. 2014).

Competency of staff in Procurement Process

Competency is defined as a capability, ability or an underlying characteristic of an individual, which is casually related to effective or superior performance. For purposes of this study, competency is used to refer to applied knowledge and skills, performance delivery, and the behaviour required to get things done very well (Armstrong and Baron, 1995). Competencies are divided into two categories; technical and behavioural competency. Public procurement professionals have to strive to achieve three competing demands of meeting commercial interests with key themes of value for money, economy, efficiency and effectiveness; the regulatory interests with key themes of competition, transparency, equality and compliance and the social interests whose key themes include public interest, employment concerns, social exclusion, economic development and environment policy (Errigde & Mcllroy, 2002). In an effort to attain these demands, organizations constantly look for employees who have skills necessary to deal with the wide variety of tasks faced by purchasing professionals (Monczka et al, 1998). Procurement professionals need a set of flexible skills due to changing local government contexts. No single skill can be adequate to manage the procurement portfolio of great complexity in local government systems. Procurement tasks demand professionals with high-level strategic, tactical as well as operational skills. These skills should potentially take a broader supply chain multi-disciplinary and integrative approach.

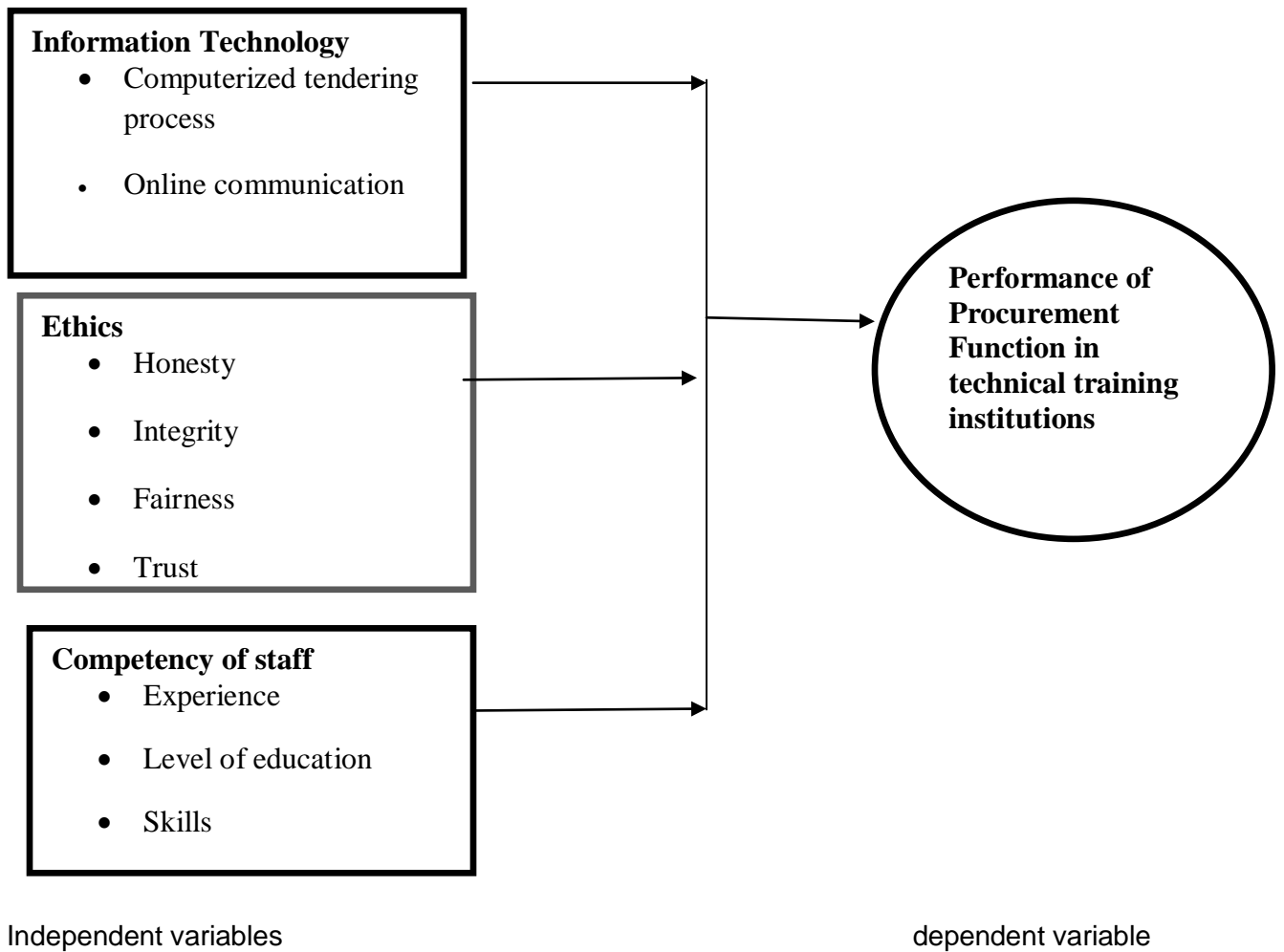
Ethics in Procurement Process

Ethics are the moral principles or values that guide officials in all aspects of their work. Ethical behaviour encompasses the concepts of honesty, integrity, probity, diligence, fairness, trust and respect. Ethical behaviour includes avoiding conflicts of interest, and not making improper use of an individual's position (Wee 2002). Ethical behaviour supports openness and accountability in procurement with the result that suppliers have confidence in participating in the Government marketplace. It also reduces the cost of managing risks and enhance trust in public administration. Ethical behavior is important in public procurement as it involves the expenditure of public money, and is subject to public scrutiny. Public officials should always behave ethically and fairly in their business undertakings. Ethical behavior supports openness and accountability in a procurement process and gives suppliers confidence to participate in the Government marketplace. Ethical behavior can also reduce the cost of managing risks associated with fraud, theft, corruption, and other improper behavior; and enhance confidence in public administration (Karanja and Mugo, 2010)

A procurement process that conforms to the expected standards of integrity, uprightness and honesty is one in which clear procedures are consistent with Government policies and

legislation are established, understood and followed from the outset. These procedures need to consider the legitimate interests of suppliers and ensure that all potential suppliers are treated equitably (Wee 2002). An important and effective way to maintain ethics awareness in agencies is to provide training for employees (Amos and Weathington, 2008). Ethics training and seminars can be provided, along with training in more specific areas, such as procurement procedures, record keeping, records management, and accountability and administrative law. Regular reviews or audits of procurement processes can be done to ensure probity is being considered and achieved (Amos and Weathington, 2008).

Figure 1: Conceptual Framework



METHODOLOGY

Research Design

The study employed descriptive survey design. Descriptive survey is conducted to describe the present situation, what people currently believe and what people are doing at the moment (Baumgartner, Strong and Hensley 2002). According to Kothari (2004), descriptive survey design includes surveys and fact-finding enquiries of different kinds. The major purpose of descriptive research design is description of the state of affairs as it exists at present (Kothari 2004). Descriptive studies are essential in many situations especially when using qualitative data in understanding the phenomena. The study focused on two public the two public technical institutions found within Kisumu County.

Sampling

The study population was 30, whereby each institution had 15 members from the procurement function. All of them were interviewed during the study. This was determined using the saturated sampling technique since the population was relatively small (Mugenda and Mugenda, 2003).

Research Instruments

Questionnaires containing structured and unstructured questions were used to gather the necessary data. The questionnaires were prepared thematically on the basis of research questions and they were divided into five sections which are as follows: Section A captured the personal information of the respondents, Section B captured information on information technology, Section C captured information on competency of staff, Section D captured information on staff work ethics whereas Section E captured information on procurement function performance. Structured questionnaires were used to collect quantitative data while unstructured questionnaires were used to collect qualitative data. Questionnaires were used because they are cheap, easy to administer, collect a lot of information and are fast. The questionnaires did have both open and close ended questions and Likert Scale was used to measure the responses from respondents.

ANALYSIS AND RESULTS

Regression Analysis

The relationship between the dependent variable and independent variables was analyzed using regression analysis. In this case, the dependent variable was performance of procurement functions whereas the independent variables were information technology, competency of staff and work ethics of staff. The summary regression results produced by SPSS V 20 show that the

regression model had a correlation coefficient of $R = 0.714$ indicating that the dependent variable and independent variable had a high degree of correlation.

The model also showed that 50% of the variation in performance of procurement functions was explained by the variation in information technology, competence of employees and work ethic of employees. This was shown by the coefficient of determination value of $R^2=0.509$. The adjusted coefficient of determination (Adj R Squared) was less than the unadjusted Coefficient of determination as it should always be (Adj R Squared=0.250 < R Squared = 0.509). This implied that about 25% of the variation in performance of procurement functions was actually explained by the variations in information technology, competence of employees and work ethics of employees. See Table 1 below.

Table 1. Regression Model Summary

Regression Model	Correlation Coefficient	Coefficient of Determination	Adjusted Coefficient of Determination	Standard Error
1	0.714	0.509	0.2507	2.306

The analysis of variance results predicted the dependent variable by illustrating how the regression best fits the model. The results showed that the significance probability value of $P=0.00196$ of the regression model was less than the level of significance of 0.01 at 95% confidence levels indicating that the regression model is significant. See Table 2 below.

Table 2. Analysis of Variance Test Results for Regression Model

Sum of Squares	Degrees of Freedom	Mean Square	F Statistic	Significance of Probability
Regression	31	3	10.43041	0.00196
Residual	138	26		
Total	170	29		

The regression results based on the standardized beta coefficients show that information technology improves performance of procurement functions by 0.473 standard deviations on average holding the other factors constant. Competence of employees on the other hand improves performance of procurement functions by 0.342 standard deviations on average holding other factors constant. Finally, the study established that work ethics of employees reduces the performance of procurement functions in the two institutions by 0.530 standard deviations on average holding other factors constant.

Information Technology

The study sought to determine effect of Information Technology on the performance of the procurement function in public Technical Training Institutions in Kisumu County, Kenya. The study established that the two technical training institutes adopted Information Technology in their procurement department. It established that information technology generally improved performance of the procurement function. The study established that advertisement of tenders was done online which led to computerized selection of suppliers thus improvement of flow of information and decision-making. The study also established that information technology helped in reducing ordering time and follow up. Online communication, online tender advertising and computerized tendering process has an influence on performance of the procurement function as it offers smoother and faster process flow and efficient distribution of information. This enables an institution to know when to make an order.

Competency of Staff

The study sought to establish whether every new employee receives induction training on procurement processes. Most of the respondents were in agreement. These findings indicated that both institutions were keen on induction to every new employee so that they can be in line with the procurement processes. This had to be done in order to realize that every employee understood the internal situation and act accordingly.

The study sought to establish whether the members of the procurement team were well acquitted with the Procurement Act of 2009. Most of the respondents were in agreement. This implies that the procurement teams in both institutions are well acquitted with the procurement Act 2009. Since procurement tasks demand professionals with high-level strategic, tactical as well as operational skills which are needed to improve performance of the procurement function.

The study sought to establish whether the procurement staffs are qualified personnel capable of performing tasks, most of the respondents were in agreement. This implies that the procurement staff had both the professional and experience in handling the function. Procurement professionals need a set of flexible skills due to changing behavior of the customers and suppliers. No single skill can be adequate to manage the procurement portfolio of great complexity in technical training institutions.

Ethics

The study sought to establish whether their institutions invites tenders from all suitable suppliers after receiving evaluation bids, most of the respondents were in agreement. Both institutions indicate that the tenders were invited from all suitable suppliers after receiving of evaluation

bids. Ethical issues are known to affect the procurement process especially where there is conflict of interest and not making proper use of an individual's position. In this case the study found out that there is an effort by the institutions to access suppliers across the country by advertising the tenders from all suitable suppliers.

The study sought to establish whether the procurement staff practices professionalism, accountability and efficiency in the procurement process. Most of the respondents agreed. This indicates that the procurement process in both institutions conforms to the expected standards of integrity, uprightness and honesty. Here clear procedures are consistent with Government policies and are understood and followed from the outset. Potential suppliers are easily reached and are given a chance where they actually qualify to carry out the task.

SUMMARY OF THE FINDINGS

The procurement function plays a pivotal role in the operations of the technical training institutions. With proper management and monitoring, the institutions are assured of better performance and efficient service delivery. The main purpose of this study was to establish factors affecting performance of procurement function among public technical training institutions in Kisumu County, Kenya. The study was conducted using a descriptive design with a target population of 30 which was substantial based on the fact that the two Education institutions had few employees who are involved in procurement functions and processes. Data was collected using structured questionnaire. The information collected also centered on gender of respondents, duration of service of the respondent in the institution and department in which the respondent served in the Education institution.

The first study objective was to determine effect of Information Technology on the performance of the procurement function in public Technical Training Institutions in Kisumu County, Kenya. The study measured how the respondents rated the list of information provided based on information technology on a five point Likert scale ranging from strongly disagreeing, disagreeing, neutral, agree and finally strongly agree. The respondents indicated that Information Technology had a positive effect on performance of the procurement function. It indicates that IT entails heavy investment in IT, use of IT in procurement, advertisement and reduction in ordering time. It enhances the process of effective tendering through advertising, and greater awareness of new development. It also enables an institution to provide excellent service to their suppliers in a transparent manner.

The second study objective was to establish the extent in which competency of staff influence the performance of the procurement function in public Technical Training Institutions in Kisumu County, Kenya. The study measured how the respondents rated the list of information

provided based on competency of employees on a five point Likert scale ranging from strongly disagreeing, disagreeing, neutral, agree and finally strongly agree. The study also sought to establish the effect of competence of staff on the performance of procurement functions in the two organizations. Most of the respondents therefore agreed that there is a positive effect of staff competency on performance of procurement function among public technical training colleges.

The third and final objective was to enumerate the ethical issues effecting decision making in the performance of the procurement function in public Technical Training Institutions in Kisumu County, Kenya. The study measured how the respondents rated the list of information provided based on work ethics of employees on a five point Likert scale ranging from strongly disagreeing, disagreeing, neutral, agree and finally strongly agree. Most of the respondents therefore were in agreement that there is a positive effect of work ethics on performance of procurement function among public technical training colleges.

CONCLUSIONS

The findings of the study investigated the factors affecting the performance of procurement functions among public technical training institutions in Kisumu County in Kenya. 73% of the respondents were in agreement that information technology positively affects the performance of procurement functions in the two institutions as well as the items used that formed the basis of the questions on this variable in the questionnaire. This study established that online advertising and computerized tendering process had a positive influence on performance of procurement function in technical training institutes in Kisumu County, Kenya.

For the case of competency of staff, the main areas that were observed to be the key contributors to staff competence included the training of new employers in the procurement departments, enhancing team work of procurement staff, acquaintance of the procurement act of 2009 by the procurement team and employing qualified and competent personnel in the procurement departments among others. It was established from the results that competency of staff/employees affects positively the performance of procurement functions in the two institutions.

For the case of work ethics of staff, most of the respondents observed that it negatively affected the performance of procurement functions in the two institutions. Among the major contributing factors for work ethics was fairness in procurement procedures, professionalism and accountability, awarding of tenders to most qualified and eligible bidders and ensuring members of the procurement committees are not in any way involved in supplying goods and services in the two institutions.

RECOMMENDATIONS

1. The use of Information Technology in the procurement processes in the two institutions should be enhanced so as to deliver success in the performance of procurement functions.
2. The two institutions should strive to promote competence of staff/employees in all departments with emphasis in the procurement department. This should be so for all the procurement department employees in the two institutions.
3. Work ethics is fundamental in the success of organizational performance. The two institutions should ensure that ethical practices are observed in the procurement departments. Stringent measures that deal with unethical practices by the procurement staff in the two institutions should be formulated and adhered to.

SCOPE FOR FURTHER RESEARCH

This study sought to assess factors affecting performance of the procurement function in Kisumu County, Kenya. However, the study cannot be used to generalize in other counties due to demographic and economic factors. The study therefore recommends further studies in; Factors affecting the effectiveness of the procurement functions among public technical training institutions in Kisumu County Kenya, Factors influencing the effective implementation of E-Procurement among public institutions in public technical training institutions in Kisumu County Kenya and Factors affecting effective management of procurement functions among public technical training institutions in Kisumu County in Kenya.

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