

EFFECT OF POLICY AND REGULATORY FRAMEWORK ON ORGANIZATIONAL PERFORMANCE: A CASE OF NAIROBI COUNTY, KENYA

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Abstract

This research was conducted to find out the impact of procurement policy and regulatory framework on organizational performance. The research was carried out based on a quantitative research design. A survey strategy was used. Purposive sampling was used to select 87 employees from the procurement department of the Nairobi County Government. Data was collected using questionnaires and analyzed using descriptive and regression analytical techniques. The findings of the research show that indeed, policy and regulatory framework within the procurement sector plays a very important role in improving organizational performance. The research also revealed that policy and regulatory framework led to improvement in organizational performance by creating a level of playing field for organizations engaged in the procurement field. Policy and regulatory framework also led to improvement in transparency, openness, improved ethical standards, impartiality as well as improving decision making.

Keywords: Policy, Regulatory framework, Organizational performance, Kenya

INTRODUCTION

Procurement has gained popularity within the business circles as well as in the public sector. Procurement has also been subjected to many reforms, rules, regulations as well as restructuring. According to the World Bank (2004) public procurement can be defined as a process through which works, goods and services are acquired through the use of public funds. Public procurement is important as far as commercial entities and governmental organizations. The importance of public procurement is evidenced by the fact that it represents 18.42% the global GDP. According to Hunja (2011) public procurement is increasingly playing an essential role in service delivery within developing countries. Public procurement also accounts for a high percentage of the total expenditure within public institutions in developing countries. In Kenya for example, public procurement represents 60% of the total expenditure on public goods, services and works. Many steps have been undertaken by developing countries to bring forth reforms in the public procurement processes. Despite such efforts, public procurement is still marred by high levels of inefficiency, secrecy, undercutting and corruption. As a result of such high levels of corruption, enormous amounts of public resources are lost leading to overall poor organizational performance. Effective procurement policy frameworks could be used to address such challenges. The objective of this research is to evaluate the impact of policy regulatory framework in the procurement sector on organizational performance.

Statement of the Problem

Research studies have been conducted in the past to evaluate the impact of policy regulatory framework on organizational performance. According to Owuoth and Mwangangi (2015) the presence of comprehensive public procurement regulations plays a very important role in enhancing organizational performance. The research further established that the mere presence of comprehensive public procurement regulations does not guarantee improved organizational performance unless there is compliance with such policies. Koech and Namusonge (2015) also investigated factors influencing procurement performance of the national treasury of Kenya with policy framework being one of the variables. The findings of the research revealed that compliance with the procurement regulatory framework significantly affected the performance of organizations. The past research studies mainly deal with the influence of compliance with procurement policies on organizational performance while little has been researched on the impact of the regulatory policy framework on organizational performance. This research sought to find out the impact of procurement regulatory policy framework on organizational performance in Nairobi County. The findings of this research are valuable to practitioners within the procurement sector. Therefore, procurement practitioners can use the findings of this study to conduct their

procurement practices within policy frameworks in order to bring forth improved organizational performance. Policy makers in the procurement field can use the findings of this research to come up with appropriate policies to address regulatory gaps in the procurement field to bring forth enhanced organizational performance.

Research Objective and Hypothesis

The objective of the study was to evaluate the impact of policy regulatory framework on organizational performance. The study was guided by the following hypothesis.

(H₂): Policy and regulatory framework does not affect influence organizational performance.

LITERATURE REVIEW

Theoretical Review

Hegelian Dialectic Theory: According to the Hegelian dialectic theory, an organization exists in a world that is shaped by colliding forces, events or even values that contradict one another that seek to dominate and control. Consequently, change occurs in an organization when conflicting forces gather enough power to not only confront but to also overcome the status quo (McTaggart, 2012). The two forces that are opposed to each other can be described as thesis representing the status quo and anti-thesis which represent a new situation. In respect to procurement policy regulatory framework, many policies and restructuring has been undertaken to control and dominate procurement processes in a bid to enhance transparency and accountability. Therefore, the Hegelian dialect theory forms a crucial basis for the study of the impact of policy regulatory framework on organizational performance.

Empirical Review

According to Koech and Namusonge (2015) compliance with procurement regulatory framework plays a very important role in bringing forth improved organizational performance. In addition to compliance with procurement regulatory framework, other factors that improve organizational performance include transparency, professionalism and procurement procedures. The research further established that compliance with procurement regulatory policy framework enhance organizational performance by bringing forth transparency and professionalism within the procurement process. However, a research by Kasisi et al. (2014) revealed that government regulations have a negative impact on procurement performance. The research further showed that compliance with government procurement regulation was accompanied with a high level of bureaucracy which led to adversely affected procurement performance and the overall organizational performance. Nevertheless, the regulatory framework plays a very important in

enhancing organizational performance as shown in a research conducted by Owuoth and Mwangangi (2015) whose research showed that a comprehensive policy regulatory framework promotes transparency enhancing organizational performance.

According to Nyaboke et al. (2013) policy regulatory framework in procurement has a significant impact on integrity, accountability, professionalism and fairness. Additionally, the research findings showed that policy regulatory framework maximizes the level of service provision within the organization. Therefore regulatory framework leads to improvement in organizational performance. Awino and Marendi-Getuno (2014) a comprehensive procurement policy regulatory framework governs all stages of the procurement process including issues related to transparency, ethics and all methods within the procurement process. The research further showed that good policy regulatory framework within the procurement process brings forth improvement in organizational performance by bringing forth transparency, openness, impartiality, integrity and fair competition. Organizations have high chances of delivering superior levels of performance when they operate in environments of openness, impartiality and fair competition. Therefore, comprehensive procurement regulatory policy frameworks bring forth enhanced organizational performance.

Davis's (2014) study of factors influence service delivery within the procurement sector revealed that some regulatory policies have had a negative impact on organizational performance. The negative impact of regulatory policies on organizational performance have been attributed to lack of flexibility within the policy framework that has negatively affected the adoption of new procedures such as e-procurement that could otherwise have brought forth improved organizational performance. However, research findings by Makabira and Waiganjo (2014) reveal that policy regulatory framework within the procurement field enhance organizational performance by instilling professionalism, transparency, ethics and openness among practitioners within the field. Research also shows that when the procurement policy is complied with, significant levels of improvement in organizational performance achieved because of the renewed willingness by practitioners to adhere to professionalism, openness and transparency in the procurement of goods, services and works.

This research was conducted based on the Hegelian dialectic theory. According to this theory, organizations exist in a world marred with opposing forces. The forces are classified into two categories: thesis (status quo) and anti-thesis (forcing seeking to overrule the status quo). Any regulatory reforms in the procurement processes occurs following the engagement of the two opposing forces. Past research studies have diverse opinions regarding the impact of procurement regulatory policy frameworks on organizational performance. Some research studies show that regulatory policy framework enhance organizational performance while other

research studies show that policy framework have no impact on organization performance. However, most of the research findings indicate a positive correlation between procurement policy framework and organizational performance.

RESEARCH METHODOLOGY

Population and Sampling Design

The current research is conducted based on a quantitative design. The quantitative research design is chosen because its statistical methods are objective. The impact of regulatory framework on organizational performance is phenomenon that is objective and independent and, therefore, requires objective statistical research methods to be adequately examined. The research is also conducted based on a survey strategy (Gravetter and Forzano, 2015). A survey strategy is suitable for this research because it enables the researcher to collect large quantities of data in effect bringing forth high quality research findings. The sample frame refers to a section of the target population that is finally selected to be studied (Johnson and Christensen, 2012). In this research, the sample will be composed of 87 employees from county government's procurement department using purposive sampling. Purposive sampling was chosen because it makes it possible for the researcher to select the most appropriate respondents for the study based on their knowledge and experience in procurement within the Nairobi County Government.

Data Collection

Data can be collected by use of observation, questionnaires or interviews. The current research employed structured questionnaires in the data collection. Simple structured questionnaires were chosen because they are easy to fill in and, therefore, would bring forth high response rate improving the quality of research findings.

Data Analysis

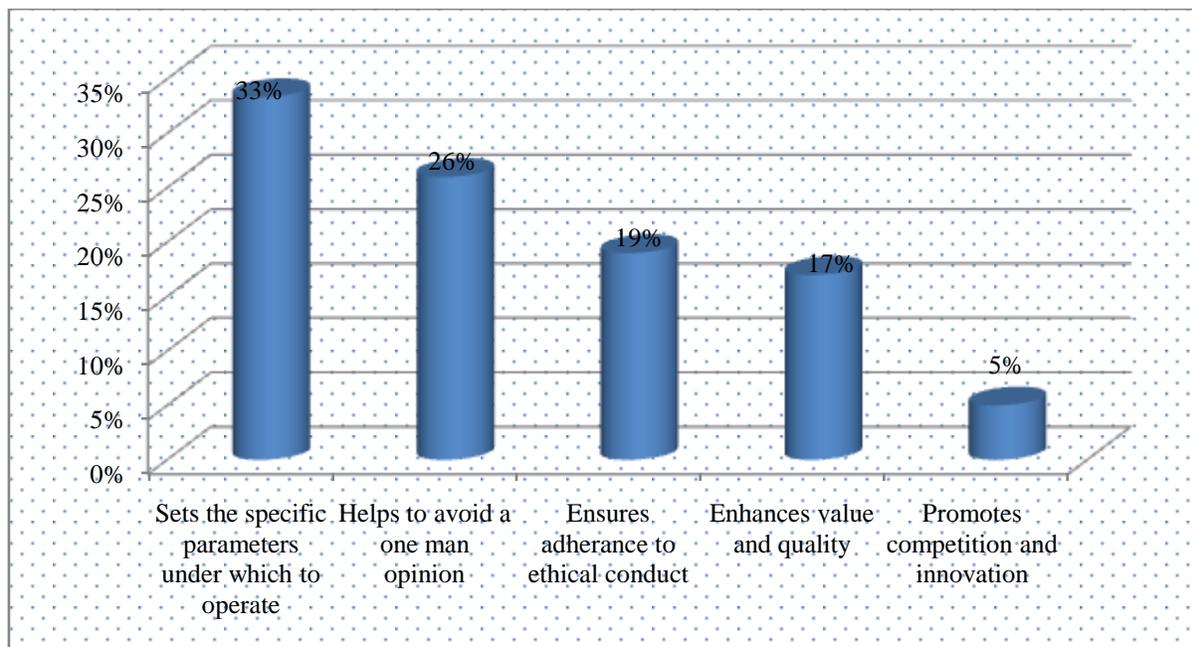
The descriptive analysis was conducted to find out the respondents' profile in terms of gender, work experience and level of education in order to ascertain they were suitable for the research. Further, regression and correlation analysis were conducted to determine the nature and extent of the relationship between policy regulatory framework and organizational performance. The researcher ensured that respondents consent is sought before collecting data from them. The researcher also protected respondents' privacy by asking them to withhold their names in the course filling in questionnaires. The researcher also ensured that the data collected was used for academic purposes only.

FINDINGS AND DISCUSSION

The total number of questionnaires collected from respondents was 81 out of the total 87 that were issued indicating that the response rate was 93.1%. Measured against an acceptable response rate of 60% 93.1% is quite high meaning that high quality data was collected for the study. Also, the respondents were 59.3% male while 40.7% were female. According to Rubin and Babbie (2010) this is an appropriate gender distribution of respondents that would yield high quality research outcomes.

To find out the impact of policy and regulatory framework on organizational performance, respondents were required rate the importance of policy regulatory framework within the organization and results were as shown in figure 1 below.

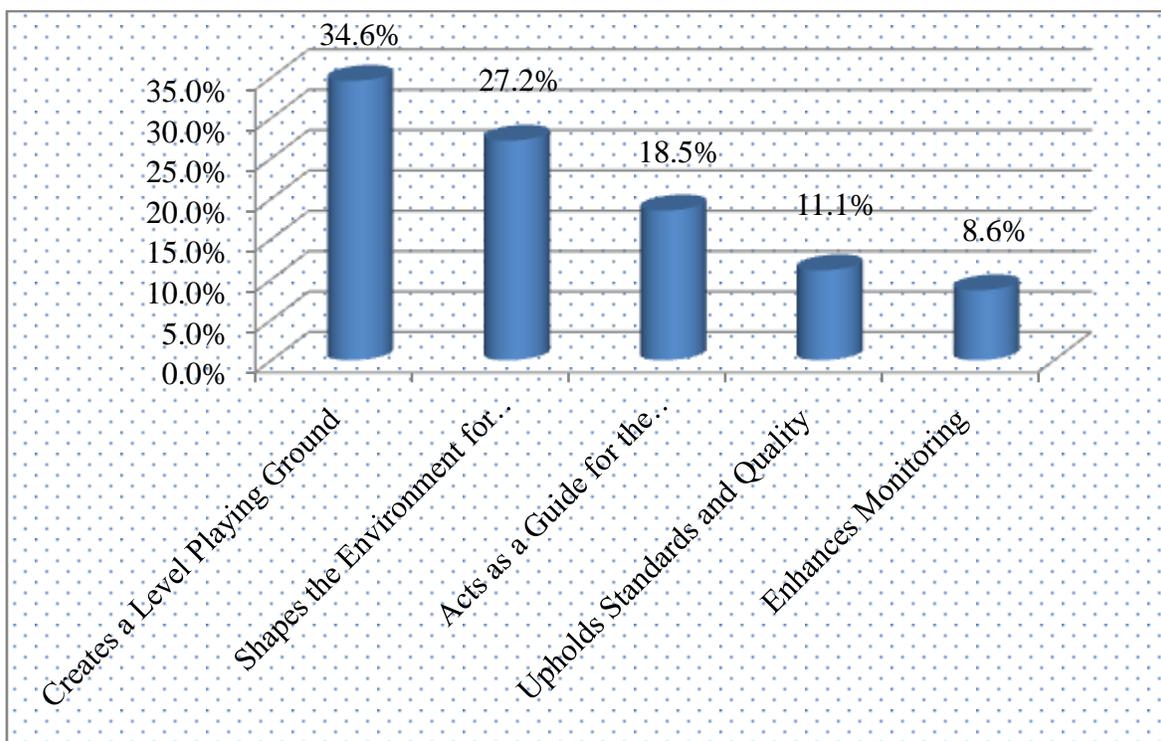
Figure 1: Importance of Policy and Regulatory Framework in an Organization



From figure 4.1 above, policy and regulatory framework is important in organizations, 33% of participants indicated that policy and regulatory framework is important because it sets specific parameters under which an organization operates. 26% of respondents attached the important of policy and regulatory framework on helping to avoid a one man opinion. Also, 19% of respondents believe that policy and regulatory framework ensures that ethical standards are maintained in procurement. The above findings are in line with to Koech and Namusonge (2015) assertion that procurement policy regulatory framework enhances ethical standards, promotes impartiality and ensures fair competition thus leading to improved organizational performance.

Participants were also to offer their opinion regarding how policy and regulatory framework influenced organizational performance. The results were as shown in the figure 2 below. From figure 34.6% of the participants believe that policy and regulatory framework creates a level playing field for all organizations. 27.2% of the respondents believed that policy and regulatory framework shapes the environment for decision making while 18.5% of the respondents believed that acts a guide for employees. 11.1% and 8.6% of the respondent also believed that policy and regulatory policy framework upholds standards and enhances monitoring respectively.

Figure 2: How policy and regulatory influences organizational performance



The above findings are in line with findings of a research conducted by Makabira and Waiganjo (2014) which revealed that policy and regulatory framework enhances transparency, openness and a fair competition in the procurement field. Regression analysis of the respondents' ratings on extent of contribution of their organization's regulatory framework on performance established statistically significant results with p-value of 0.01 which is less than required maximum requirement of 0.05. Thus, the alternative hypothesis that legal and regulatory framework affects organizational performance is accepted and the null hypothesis rejected. Table 1 below shows the results.

Table 1: Regression Results – Model Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	F	Sig
	B	Std. Error	Beta		
(Constant)	0.878	0.357		2.46	0.016
Legal regulatory framework	0.345	0.147	0.212	2.35	0.01

From the analysis of the findings, it is shown that policy and regulatory framework enhances organizational performance by enhancing professionalism, transparency, openness, improving ethical standards and creating a level playing field for organizations.

SUMMARY AND RECOMMENDATIONS

The findings of the research show that indeed, policy and regulatory framework within the procurement sector plays a very important role in improving organizational performance. Majority of respondents who participated in the research showed that policy and regulatory framework brought forth improvement in organizational performance. The research also revealed that policy and regulatory framework led to improvement in organizational performance by creating a level of playing field for organizations engaged in the procurement field. Policy and regulatory framework also led to improvement in transparency, openness, improved ethical standards, impartiality as well as improving decision making. However, the research also showed that improvement in organizational performance cannot be realized in the absence of compliance.

Therefore, to attain improvement in organizational performance it is essential for the companies in question to comply with the policies. Based on the importance of policy and regulatory framework, it is necessary for organizations to develop and uphold procurement policies to enhance organizational performance.

Compliance is critical in the implementation of procurement policy and future studies should be conducted to determine the effect it has on organizational performance.

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