

PRIVATE LEADERSHIP, ORGANISATION CLIMATE AND ETHICAL PROCUREMENT PRACTISES AMONG COUNTY REFERRAL HOSPITALS IN KENYA

Gloria Beth Muthoni

School of Business and Economics, Moi University, Kenya

glorybem@gmail.com

Abstract

The aim of the research paper was to determine the influence of private leadership on ethical procurement practices among county referral hospitals in Kenya. The study was anchored by the institutional theory. Cross sectional survey design was employed. A census was conducted on in the level 5 county referral hospitals in Kenya. 172 Procurement department professionals working in county referral hospitals were targeted as the study respondents. Data was collected using questionnaire. The study findings showed a positive relationship between private leadership, organisation climate and ethical procurement practices. The study recommends that public leadership be enacted to enhance ethical procurement practices.

Keywords: Leadership, Private Leadership, Organisation Climate, Procurement, Ethical procurement practices

INTRODUCTION

Organisations are constantly evolving -new and flatter organization are rapidly replacing the taller and hierarchical public organization. The concept of leadership is taking a more dynamic role as strategic direction continue to be in the hands of those who influence the organisation. Leadership is anchored on relationships. No doubt, a procurement employee's actions and practices are often precipitated from the conduct of others within the organisation. This flows directly from the prevailing organisation climate. Private leadership essentially focuses on how leaders' handle of individuals one to one (Scouller (2011)). Such inclinations shape ethical procurement within the organisation. The purpose of this study was first, to assess the direct

influence of private leadership on ethical procurement and second was to establish mediating influence of organisation climate between the relationship of private leadership and ethical procurement

LITERATURE REVIEW

Linkages for leadership development can be fortified when a new leader is being inducted through coaching (Robin, 2010) suggests. Ethical procurement has to be buttressed structurally for it to be entrenched and practiced across board. Procurement staff goes through a process of inclining their actions to what would be approved by significant others in the profession. There is an inherent selective internalization of peers and superiors' thoughts, ideas, advice, feelings, experiences and behaviors (Ntayi, 2010).

A leader when being inducted can be instructed on how to reinforce ethical practices. Supportive relationship between leader and follower also influence motivation to be ethical in procurement transactions. Studies by Mihelic et al, (2010) opines that “walking the talk”- transforms values into action and thereby building trust and respect for the leader. Followers follow suit when they occasion leaders going out of their way to do the right thing.

Organization ethical climate is strongly inclined to the actions and the influence of top management (Gatewood and Carroll, 1991; Schermerhorn et al, 1994) this is critical because it is the top management that institutes the performance evaluation system meaning staff are inclined to take actions that favor their concurrent evaluation. As such if procurement staff sense management do reward ethic action they would act ethically. If they sense that errant ethical behavior is not disciplined, they may also act unethically.

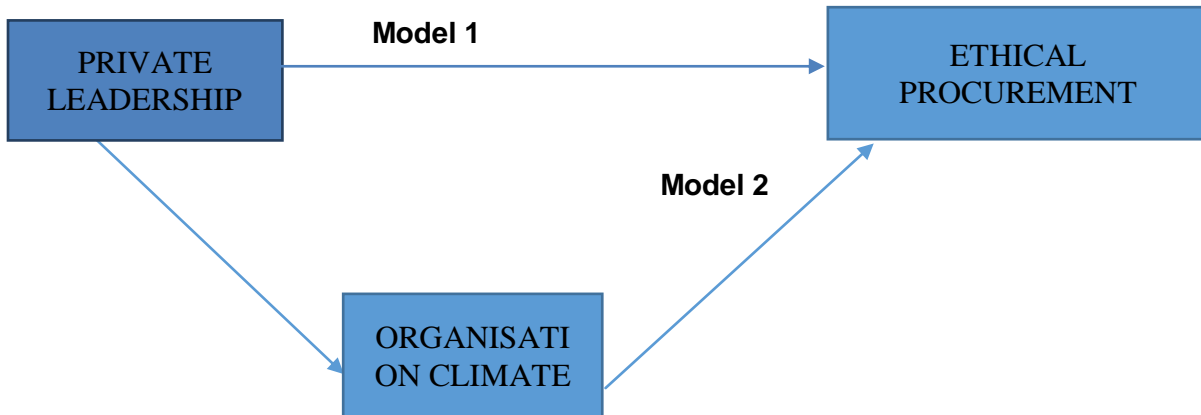
Level of compliance in public procurement is affected by fears such as getting caught, fear of getting punished and fear of losing face before others. When a non-compliant procurement staff colleague is not punished for non-compliance: peers in that organisation change their estimation of the likelihood of being caught. This view is constant with empirical studies of (Allingham and Sandmo (1972) and Becker (1968) who publicized dominant elements of procurement compliance such as predictable penalty and chances of being able to track noncompliance.

Conceptual Framework

In the study the independent variables was private leadership. This was operationalized by measures such as ethical procurement practices being given emphasis during induction of procurement employees, alignment of values checks before recruitment, performance appraisal covering ethical actions of procurement employees, corrective action been taken in case of

employee misconduct , setting of good example to enhance ethical compliance and matters regarding conflict of interest. The mediating variable organisation climate behavior is measured by commitment level in the organisation, the prevailing trust, warmth and consideration. Organisation Structure and decision making. To add to the same is the organisation reward orientation.

Figure 1 Conceptual framework



Theoretical Review

In line with the institutional theory (North, 1990) remarks that organizations provide established structure, standard operating procedure and control mechanisms which reduce ambiguity in work relationships as such work boundaries are specified. Employees become certain on what actions are permissible as well as what is prohibited. Clarity is also shed on the provisions under which work should be undertaken. Public procurement staff operates in environments of societal interdependence and competitive positions requiring serious consideration before making procurement-related decisions. Procurement staff must therefore make a verdict to either comply or non to conform to the procurement regulatory agency (Burger et al., 2004; Cialdini, 2001).

METHODOLOGY

The study adopted cross sectional and explanatory survey research designs. The researcher used census to draw target population of all the level 5 county referral hospitals in Kenya. The study respondents targeted all the 172 procurement department staff in Kenya. Primary data was obtained by use of structured questionnaires distributed by the researcher and one research assistant.

Data Measurements

All the three variables were measured using 5-point Likert scales ranging from strongly agree, agree, not sure, disagree and strongly disagree. Likert scale measures variance offer the researcher a higher degree of measurement and information.

Data Processing and Analysis

Upon completion of data collection- data was analyzed in a series of steps that included questionnaire checking, data sorting, data coding, data entry, data processing and interpretation of the results. Quantitative data was analyzed using inferential Statistical techniques. Factor analysis was carried out on all items in each variable to reduce what had low loading factors. Items with factor loading below 0.4 did not meet the threshold for regression analysis and thus were dropped. Multiple regression analyses was used to establish the relationships among the study variables, while the Pearson's product moment correlation was used to reflect the degree of linear relationship between variables and determine the strength of the linear relationship. Regression analysis model was utilized in order to examine relationships between the private leadership, organisation climate and ethical procurement practices in county referral hospitals in Kenya. Regression analysis was done using Statistical Package for the Social Sciences (SPSS) Software version.

RESULTS AND DISCUSSIONS

Factor Analysis

Factor analysis refers to the interdependent technique under the family of multivariate analysis which aims at identifying the significant few variables that can be used for multivariate analysis from a large set of variables. A principal component factor analysis with varimax rotation was conducted to assess the construct validity. Factor analysis is used to test the validity of the model constructs by assessing the variable item responses from the questionnaires.

In this regard, several assumptions were first tested. The usual measures of sampling adequacy Kaiser-Meyer-Olkin (KMO) measure and Bartlett test were undertaken. The Kaiser-Meyer-Olkin (KMO) measure is inadequate if less than 0.50 (Hair *et al.*, 2010). The KMO test conveys whether or not enough items are predicted by each factor. The Bartlett test relates to the significance of the study as regards the validity and suitability of the factors for a particular study and it should be significant (that is, a significant value of less than 0.50); this means that the variables are correlated highly enough to provide a reasonable basis for factor analysis.

Table 1 KMO and Bartlett's Test

		Ethical Procurement	Public Leadership	Organisation Climate
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.851	.804	.819
Bartlett's Test of Sphericity	Approx. Chi-Square	437.742	218.482	256.519
	Df	45	28	.10
	Sig.	.000	.000	.000

Factor analysis was conducted on the items advanced as measures of ethical procurement so as to ascertain those underlying factors that explain a larger number of other related variables in order to consider the most important ones in subsequent analysis. With the dependent variable ethical Procurement, factor loadings ranged from 0.232 to 0.784. The item with the highest factor loading was "Communication channels to report incidents of procurement malpractices that have been put in the county referral Hospital" with 0.784 while the item with lowest factor loading was "Recognition of procurement employees influences the tendency to act ethically at a factor 0.232". The second lowest item was "County Referral Hospital; leadership has curbed tender not awarded in a manner that is not transparent at a factor loading 0.329" being the only two variable indicator with less than 0.4, the two items were dropped from the analysis. All the other eight items were therefore retained for further analysis. Table 2 presents the results.

Table 2 Factor loadings for Ethical procurement

Variable Indicators	Factor Loading
Recognition of procurement employees influences the tendency to act ethical	.232
Suppliers of the county referral hospital level are paid in a timely manner	.694
Communicating to every supplier is done in a frank and forthright manner	.706
Supplier evaluation and selection is done transparently at the county	.696
County referral hospital has an ethical committee that ensures compliance to the ethical policy	.735
Stipulations of the ethical policy on gift acceptance or other rewards from vendors is followed duly at the county level	.746
County Referral Hospital; leadership has curbed tender not awarded in a manner that is not transparent	.329
Tender Cartels have not affected the procurement practice in the county Referral Hospital	.664
Procurement employees in the county are willing to report incidents of unethical conduct	.733
Communication channels to report incidents of procurement malpractices that have been put in the county referral Hospital	.784

Correlation Analysis

Correlation findings from the study revealed that private leadership were positive and significantly associated with ethical procurement ($r = 0.597$, $p < 0.01$). Also, organisation climate positively relate with innovative work behavior ($r = 0.766$, $p < 0.01$). This implies that private leadership and organisation climate were expected to influence ethical procurement.

Hypothesis Testing

From the analysis in the table 3, the linear regression analysis models on the independent variable which is private leadership and dependent variable which is ethical procurement practices in county referral hospitals in Kenya. The coefficient of determination (R^2) and correlation coefficient (R) shows the degree of association between the ethical procurement practices county referral hospitals in Kenya and private leadership. The results of the linear regression indicate that $R^2=0.357$ and $R= 0.597$ an indication that there was a moderately strong linear relationship between public leadership and ethical procurement practices in county referral hospitals in Kenya. The independent variable explained 35.7% of the variability of the dependent variable which is the ethical procurement practices in county referral hospitals in Kenya. When mediating variable was added into the model, results indicate a strong linear relationship with $R^2=0.786$ and $R= 0.618$.

When adjusted for the sample size and degrees of freedom, private leadership can explain up to 35.2% of ethical procurement practices (adjusted $R^2=.352$) while as private leadership explains 61.2% of ethical procurement practices (adjusted $R^2=.612$) when organisation climate was added into the model, this indicate a higher explanation of the independent variable on ethical procurement practices

Table 3 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.597 a	0.357	0.352	0.60202
2	0.786 a	0.618	0.612	0.46609

a. Predictors: (Constant), Private

b. Predictors: (Constant), Climate, Private

Anova model adequacy table: linear regression F test has the null hypothesis that the model explains zero variance in the dependent variables; $R^2 = 0$. Further to test the overall significance of the analysis of variance was done. The significant F ratio is strong evidence against the null

hypothesis. It reveals that at least one or more partial regression have a value other than zero. In all it indicates that the model is significantly better at predicting the outcomes.

Results of ANOVA model adequacy reveals that private leadership statistically significantly predicted the ethical procurement practices in county referral hospitals in Kenya, $F(1, 127) = 70.491$, $p < .05$. The statistical model fit ($F=70.491$) is significant at $p < 0.05$. When the mediating variable, organisation climate is added into the model- the results remained statistically significant $F(2, 126) = 101.739$, $p < .05$ and predicted ethical procurement practices. The two models imply that there is considerable improvement in prediction upon introduction of mediating variable: organisation climate, in comparison to the baseline prediction. This means there is no evidence to support for the null hypothesis. We therefore reject the null hypothesis and accept the alternative hypothesis, thus “there is significant positive relationship between private leadership and ethical procurement practice”.

Table 4 Model Adequacy

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	25.548	1	25.548	70.491	.000 ^b
	Residual	46.028	127	.362		
	Total	71.576	128			

a. Dependent Variable: Ethical Procurement

b. Predictors: (Constant), Private

Model		Sum of Squares	Df	Mean Square	F	Sig.
2	Regression	44.203	2	22.102	101.739	.000 ^b
	Residual	27.372	126	.217		
	Total	71.576	128			

a. Dependent Variable: Ethical Procurement

b. Predictors: (Constant), Climate, Private

From table 4, the linear regression model for private leadership,

$$Y = \beta_0 + \beta_1 x_1 + \varepsilon \dots \text{Model 1}$$

$$Y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \varepsilon \dots \text{Model 2}$$

Where; Y = Ethical procurement practices in county referral hospitals in Kenya

β_0 = Constant (Y- Intercept)

ε = Standard Error term

B1 = Coefficient of ethical procurement practices in county referral hospitals equation

B2 = Coefficient of organisation climate in county referral hospitals equation

X1 = Private Leadership

X2 = Organisation Climate

Table 5 Private Leadership Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.940	.333		2.824	.006
	Private	.716	.085	.597	8.396	.000
2	(Constant)	.251	.268		0.934	.352
	Private	.261	.082	.217	3.167	.002
	Climate	.635	.069	.636	9.267	.000

a. Dependent Variable: Ethical Procurement

Regression results showed that a unit change in private leadership resulted to 71.6% increase in ethical procurement practices in county referral hospitals. Ethical procurement practices in county referral hospitals in Kenya $Y = 0.940 + 0.716 \text{ Private Leadership}$. The general regression model will be $Y = 0.940 + 0.716X_1$. When the mediating variable, organisation climate is added (model 2)- unit change in private leadership resulted to 26.1% increase in ethical procurement practices in county referral hospitals and a unit change in organisation climate resulted to 63.5% increase in ethical procurement practices in county referral hospitals. Ethical procurement practices in county referral hospitals in Kenya $Y = 0.251 + 0.261 \text{ Private Leadership} + 0.635 \text{ organisation climate}$. The general regression model $Y = 0.251 + 0.261X_1 + 0.635 X_2$.

CONCLUSIONS AND RECOMMENDATIONS

Empirical findings of this study confirmed the significant relationship between private leadership, organisation climate and ethical procurement. A change in private level of leadership causes a positive influence on ethical procurement practices. The multivariate regression results of this study established that private leadership had a positive statistically significant effect on ethical procurement practices. Conclusion is that county referral hospital practice effective private leadership leading to augmentation in ethical Procurement practices. This confirms the proposition of Mihelic et al (2010) who contends that it is not enough to have procurement employee exhibit moral strength, the dynamics of socialization of the work place through private leadership exerted by colleagues' leadership and the culture therein alike- may undermine his

ethical sense. The study concludes that private leadership ingrained by organisation processes is a key ingredient to effective ethical procurement practices.

SUGGESTIONS FOR FURTHER RESEARCH

Although this research study delivers clear insight on private leadership, organisation climate and ethical procurement, more needs to be addressed by future researchers. The private leadership is drawn from Scouller three levels leadership model.. The study therefore proposes further studies to be undertaken on other leadership models such as transactional leadership, servant leadership and transformational leadership to determine their impact on ethical procurement.

REFERENCES

- Allingham, M.G. & Sandmo, A. (1972). Income tax evasion: a theoretical analysis, *Journal of Public Economics*, 1 (3) 323-38
- Becker, G.S. (1968). Crime and punishment: an economic approach, *Journal of Political Economy*, Vol. 76 (2), 169-217.
- Burger, J.M., Messian, N., Patel, S., del Prado, A. & Anderson, C. (2004). What a coincidence! The effects of incidental similarity on compliance, *Personality and Social Psychology Bulletin*, 30 (1) 35-43.
- Cialdini, R.B. (2001). *Influence: Science and Practice*, Allyn & Bacon, Boston, MA.
- Hair, J., Black, W., Baln, B., & Anderson, R. (2010). *Multivariate Data Analysis* London: Maxwell Macmillan.
- Gatewood, R. D & A. B. Carroll (1991). Assessment of Ethical Performance of Organization Members: A Conceptual Framework, *Academy of Management Review*. 16, 667-690.
- Mihelič, K. K, Lipičnik B & Tekavčič, M (2010): Ethical Leadership. *International Journal of Management & Information Systems*. 14 (5) 31-41.
- Ntayi, J.M., Byabashaija, W., Eyaa, S., Ngoma, M. and Muliira, A. (2010), Social cohesion, groupthink and ethical behavior of public procurement officers, *Journal of Public Procurement*, 10 (1), 68-92.
- Robin, M (2010), Sustaining leadership in challenging times, *Higher Education Management and Policy*, Vol.22/3.<http://dx.doi.org/10.1787/hemp-225km39qskjmr7>
- Schermerhorn, J. R., Jr., J. G. Hunt & R. N. Osborn (1994) *Managing Organizational Behavior*, 5th ed. John Wiley, New York.
- Scouller, J. (2011). *The Three Levels of Leadership: How to Develop Your Leadership Presence, Knowhow and Skill*. Cirencester: Management Books 2000.