

**INFLUENCE OF PROCUREMENT PROCESS ON PERFORMANCE OF  
PUBLIC INSTITUTIONS IN KENYA**

**BY**

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## DECLARATION

### Declaration by the Candidate

I Doris Onea Otima declare that this research project is my original work and has not been presented in any institution for the award of diploma or degree.

Signature.....

Date.....

### Declaration by the Supervisor

This project has been submitted for examination with my approval as the University Supervisor.

DR. Destaings Nyongesa, PhD

Signature.....

Date.....

## ABSTRACT

Procurement process remains fundamentally central to the success of procurement function and to the performance of any organization, private or public. Previous studies have been conducted on the subject matter of procurement function. However, no study has focused on supplier qualification screening on procurement processes with the variables inherent in it and focusing on screening, competitive bidding and evaluation. Public Institutions has been inefficient and ineffective to the extent of late delivery of materials. This has led to public outcry within public institutions on the slow pace of projects implementation that leads to loss of value for money and increase of associated risks which can be mitigated if the right procurement procedures are adhered to. Despite the documented procurement processes, the performance of public institutions to the expected standard has been questionable. This study explored the influence of procurement process on performance of public institutions. The study was based on a conceptual framework that showed the relationship between independent variables such as supplier qualification screening, competitive bidding, supplier evaluation and dependent variable which is performance. The study was pegged on the Agency theory which is the relationship between two parties whereby one party [principal] delegates work to another party [the Agent], who represents the principal in transaction with a third party. The study adopted a case study design and targeted a population of 130 staff of Vihiga County government from which a simple saturated sampling was used to select all the 120 respondents to be included in the study. A questionnaire was used to collect data which was then analyzed using descriptive and inferential statistics. The data was presented in tables and figures. The findings revealed that there was low performance of public institutions ( $M=3.49$ ,  $SD=.53$ ). On objective one, the study revealed that there was no significant influence of supplier screening on performance with  $r=0.131$  ( $p < 0.01$ ), for objective two, competitive bidding had a significant relationship with performance and explained 7.1% significant change in performance, with  $r=0.410$  ( $p < 0.01$ ) finally, it was revealed that supplier evaluation did not as well have a significant influence on performance with  $r=0.161$  ( $p < 0.01$ ). The study concluded that only competitive bidding had a significant influence on performance of county government, whereas supplier screening and supplier evaluation did not influence performance. The study therefore recommended that more effort be put on supplier screening and evaluation and be aligned with performance for effectiveness while competitive bidding be improved to ensure it has a more positive impact on performance. This study may help the government to formulate policies that will entrench procurement procedures in the law. It may also help organizations to ensure that late delivery is minimized, value for money is guaranteed and any associated risks are mitigated among other and thus efficiency and effectiveness is ensured.

## **DEDICATION**

I dedicate this work to Almighty God for His enablement, my family and all those who supported me in the completion of this project writing. Thank you and God bless you abundantly.

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**ABBREVIATIONS AND ACRONYMS**

GDP: Gross domestic product

|      |  |
|------|--|
| PPD  | Public procurement directorate         |
| PPOA | Public procurement oversight authority |
| PPP  | Procurement process procedures         |
| SQS  | Supplier qualification screening       |
| KACC | Kenya Anti – Corruption Commission     |
| US   | United States                          |
| RFQ  | Request for Quotation                  |
| KNBS | Kenya Nation Beareu of Standards       |
| MBA  | Master of Business Administration      |
| SD:  | Standard Deviation                     |
| P:   | Performance                            |

## **OPERATIONAL DEFINATION OF TERMS**

**Competitive bidding-** is transparent procurement method in which bids from competing contractors, suppliers or vendors are invited by openly advertising the scope,

specifications, and terms and conditions of the proposed contract as well as the criteria by which the bids will be evaluated

**Procurement Process-** is the set of activities involved in the selection of suppliers and the purchase of goods and services.

**Public Procurement-** Is the purchasing, by asking traders or manufacturers to competitively participate in the process.

**Tendering-** Is a procurement procedure whereby potential suppliers are invited to make firm offer on the price and terms which they will supply specific goods and services.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

World over, the centrality of procurement process in enhancing performance in organizations cannot be gainsaid. Procurement process is any activity involved in the selection of suppliers and the purchase of goods and services (Webster and Wind, 2000). It is therefore involves related activities of procurement that produce specific service or product. A basic part of business management is the procurement process whose prime responsibility is supplier selection. This is valid for both types of business organizations, manufacturing and service organizations, and for the acquisition of all types of products and services, including major materials and equipment. The study was guided by three objectives; to examine the effects of supplier qualification on performance of Vihiga county government; to determine the effects of competitive bidding on performance of Vihiga county government; and to establish the effects of supplier evaluation on performance of Vihiga county government. In highly competitive global operating environment, it is impossible to produce low cost and high quality products successfully without competent suppliers. (Webster and Wind, 2000)

In the United States of America, firms are increasingly allocating more resources to their core competencies and encouraging the outsourcing of non-core activities, which increases their reliance and dependence on suppliers. This increases the importance of effective supplier qualification screening. Sparse evidence exists regarding the impact of supplier qualification screening on a buying firm's business performance (Cullen, 2009). In a study conducted by Gorp (2008) established that soft, non-quantifiable screening criteria, such as a supplier's strategic commitment to a buyer, had a greater impact (65%) on performance than hard, more quantifiable criteria such as supplier capability (60%), yet they are considered to be less important in the broader supplier selection process. Furthermore, commitment and capability are not the only screening criteria in supplier selection process. Assessment of a supplier's

willingness and ability to share information also has a significant impact on the buying firm's performance, yet is again considered to be relatively unimportant. Although this research does not address specific variables in the supplier qualification screening, it tends to agree that supplier qualification screening is a viable approach in the procurement function.

The selection of competent suppliers has long been regarded as one of the most important functions to be performed by a procurement department in the entire procurement process. For example, in one of the earliest procurement Meta-analysis, Kipchilat (2006) established that among all those responsibilities which belong to procurement officer - selection competitive bidding is likely to be more important responsibility and in his views, in some cases, it is the most significant factor in purchasing within the nongovernmental organization. Public institutions were therefore left out and the current study will certainly fill the gap in knowledge. The current competitive environment in global marketplace is continuously changing. To be successful in this uncertain environment, all the players in supply chain should respond quickly to the market demand. A supplier, therefore, plays an important role in supply chain in terms of production cost and product quality. Consequently, competitive bidding becomes even more critical for most organizations to develop a closer and long term relationship with their supplier to build an effective supply chain. However, in spite of clear procurement processes which have even been promulgated into law in many countries, many organizations continue to be inefficient and ineffective (Wind and Thomas, 2001).

In South Africa, one of the most robust economies in African continent, organizations are relying heavily on suppliers for products and services. With this increased dependence on suppliers and the growing complexity of products & services, an extended supply chain raises the importance of having an effective supplier selection process in the overall procurement process.

A study conducted by Cullen (2009) established that supplier evaluation contributed by 60% to quality enhancement. Although this study left out other variables that contribute to performance in supplier evaluation, it echoes the dictum that supplier evaluation is significant within the framework of procurement function. With the millions of suppliers in South Africa and the world at large, an effective supplier selection process is needed to gather intelligence on potential suppliers and select the best suppliers. When developing partnerships with suppliers and maintaining relationship with them, an effective supplier selection process is essential if performance is to be reutilized in any organization. Competitive bidding therefore presents a realistic approach to the procurement process. Competitive bidding is transparent procurement method in which bids from competing contractors, suppliers or vendors are invited by openly advertising the scope, specifications, and terms and conditions of the proposed contract as well as the criteria by which the bids will be evaluated. Competitive bidding aims at obtaining goods and services at the lowest price by stimulating competition, and preventing favoritism. In competitive bidding (also called open bidding), the sealed bids are opened in full view of all who may wish to witness the bid opening, in closed competitive bidding (also called closed bidding), the sealed bids are opened in presence only of authorized personnel. Competitive bidding therefore ensures value for money and consequently efficiency and effectiveness of the organization is ensured, yet performance is not guaranteed in many establishments (Cullen, 2005)

In Kenya, Procurement function has been receiving increasing importance as a critical supply chain management component. This is mainly due to the significant impact of material costs on profits, increased investments in advanced manufacturing and information technologies, and a growing emphasis on Just-In-Time (JIT) production. The critical objectives of purchasing department include obtaining the product; at the right cost, in the right quantity,

with the right quality, at the right time and from the right source, thus contributing efficiency and effectiveness in the organization. So, executing effective decisions concerning supplier selection is single handedly critical part of procurement process. (Wind and Thomas, 2001) Today, the uncertainty creates a drag on supply chain performance involving all processes. Thus, procurement process has become useful in improve the quality of all supply chain processes intended to cost reduction, improved resource utilization, and improved process efficiency (Odhiambo and Kamau, 2003).

Conceptually, procurement process is focused on supplier selection. If companies can understand procurement processes, then they can implement improvement initiatives that will stabilize the process and ensure accuracy and reliability according to the expectations. The public procurement oversight authority is an act that has been embedded in the constitution yet cases of poor performance, corruption, inefficiency and ineffectiveness have been recorded in the County governments, Vihiga County is no exception (KACC, 2008). There is no empirical study that has been done on the influence of procurement process on organizations performance focusing on county governments.

## **1.2 Statement of the Problem**

County government system is relatively new in Kenya. However in 2014 Vihiga County Government experience unprecedented delays in the procurement department to as late as one year and two weeks (Vihiga county government integrated plan, 2014)

Such delay contributes to loss of value for money and increase of associated risks, but on a broader scheme of things on performance in terms of efficiency and effectiveness of the County Government is reduced. Yet adherence to procurement processes such as supplier qualification screening, competitive bidding and supplier evaluation can mitigate the problem. To date however, no research has been conducted to examine the influence of procurement process on performance of public institutions focusing on supplier qualification,



competitive bidding and supplier evaluation. The current study examined these with a focus on Vihiga County Government

### **1.3 Objective of the Study**

The general objective of this study was to examine the influence of procurement process on performance of public institutions in Kenya.

The study was guided by the following specific objectives

1. To examine the effects of supplier qualification screening on performance of Vihiga County government
2. To determine the effects of competitive bidding on performance of Vihiga County government
3. To establish the effects of supplier evaluation on performance of Vihiga County government

### **1.4 Hypotheses**

The study's expected outcome was achieved through concerted effort to proving or disapproving the following hypothetical propositions.

**H<sub>01</sub>:** There is no significant relationship on Supplier qualification screening and performance of Vihiga County Government

**H<sub>02</sub>:** There is no significant relationship Competitive bidding and performance in Vihiga County Government

**H<sub>03</sub>:** There is no significant relationship Supplier evaluation and performance at Vihiga County Government

### **1.5 Scope of the Study**

This study focused on the influence of procurement process on performance of public institutions. The study was therefore geographically limited to Vihiga County government in Western Kenya. With regard to time period, this study took a total of six weeks. Each week

was allocated an activity. A continuous six weeks therefore enabled the researcher to compile the study for final defense.

### **1.6 Justification of the Study**

Procurement process if adhered to in a proper manner has a lot of significance in the contemporary organizations as well as body of knowledge. The researcher is a resident of Vihiga County audit is for this reason that she chose these County for the study as her work will be much easier especially when it comes to data collection. This study may help the government to formulate policies that will entrench procurement procedures in the law hence removing procurement related fraud in public institutions. It will also help organizations to ensure that late delivery is minimized, value for money is guaranteed and any associated risks are mitigated among others and thus efficiency and effectiveness is ensured. The study may also contribute to the body of knowledge in the procurement and logistic discipline; readers of this study will know and understand the influence of procurement process on performance of public institutions. This study may also be used by other researchers researching on similar phenomenon as secondary material in helping them achieve the objectives of their study.

### **1.7 Conceptual Framework**

Figure 1.1 shows a conceptual framework underpinning this study. The figure operationalizes the variables of the study. The variables on the left are the independent variables the ones in the middle are the independent variables while that at the right is the dependent variable. The primary goal of supplier qualification screening is to ensure that the supplier's references are credible; their financial status is sound so that they can deliver the required goods and services as specified. Surge capability as well as ability to meet specification is also checked. Competitive bidding on the other hand helps to ensure that the goods supplied are precise or legitimate given that renderers are not compelled to submit their tenders and therefore all

tenders submitted are genuine hence standardization and value for money. Supplier evaluation helps to reduce price by taking the supplier with the lowest price, it also enhance quality by buyer choosing supplier with highest quality, timely delivery and flexibility of suppliers are also evaluated as well as their production capacity. These therefore lead to organization performance. Organization performance is measure in terms of the degree to which an employee is successful in producing a desired result (effectiveness). It can also be measured in terms of the level of performance that describes the process that uses the lowest amount off inputs to create greatest amount of outputs (efficiency).

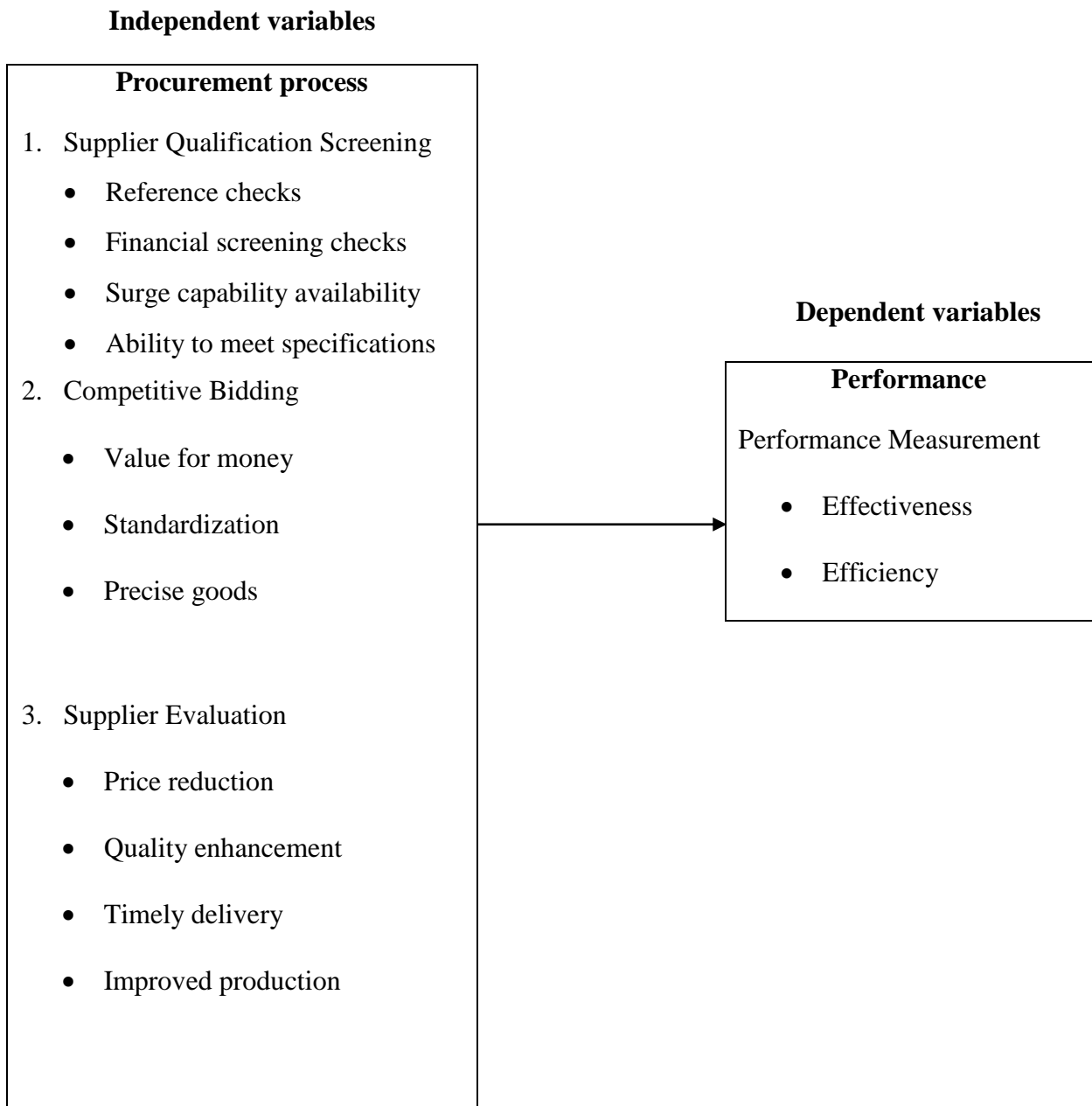


Figure 1: Conceptual framework of procurement process on performance derived from Lysons and Farrington (2006)

## **CHAPTER TWO**

### **LITERATURE REVIEW**

This section presents mainly the literature related to the study. In particular, it looks at theoretical review; i.e. Agency theory. It also looks at the empirical review of literature; effects of supplier qualification screening performance, effects of competitive bidding on performance and the effects of supplier evaluation on performance. This literature review may be of great assistance to the government of vihiga as through it, some rules and regulations will be tabled for the improvement of service delivery in the procurement process.

#### **2.1 Theoretical Review**

##### **2.1.1 Agency Theory**

Agency theory attempts to describe the agency relationship, in which one party (the principal) delegates work to another party (the agent), who performs that work (Eisenhardt, 1989). Two problems can arise in such relationships, the desires and goals of the principal and agent can conflict, and it is difficult for the principal to verify what the agent actually is doing. Principal-agent researchers are concerned with a general theory of the principal-agent relationship, a theory that can be applied to buyer-supplier relationship.

Agency theory is most relevant in situations in which procurement processes are necessary. These include situations in which there is a substantial goal conflict between principals and agents and sufficient outcome uncertainty to trigger the risk implications of the theory (Eisenhardt, 1989). Eisenhardt discusses the assumptions of the theory and raises the issue of principals learning about the agents when there is a long term relationship, when there may be less need for outcome-based contracts. This may be more the case with procurement in an area where there are fewer regulations than in the than in areas where tendering is not required. Private businesses are free to have long term relationships with software developers and consulting firms. Jones (1995) suggests that long term relationships with vendors may in the long run lead to higher effectiveness, due to the stability of the relationship being dependent on controlling goal conflicts.

The effectiveness of the organization due to the relationship between the organization and the vendors in this theory is what lend credence to the present study. But for the organization to be effective, which is the basic a measurement of performance, the organization must ensure

that procurement processes are adhered to. For example, supplier qualification screening which is the first step in vendor selection will help the organization to reduce the likelihood of none delivery or delivery of faulty goods. Competitive bidding on the other hand helps the organization to ensure value for money which guarantees organization effectiveness. Supplier evaluation helps the organization to mitigate the risks that come as a result of the entire process of procurement process. This theory assumes that there will always be conflict between the buyer and the vendor yet both the buyer and the vendor can work closely with one another. As such the buying organization can point to the vendor the areas of weakness to enable the vendor improve on such areas and hence vendor performance can be improved. This theory emphasizes only on the effectiveness of the organization due to relationship of the two parties leaving out efficiency. There is therefore need for another theory to delve into efficiency of the organization as it is also a measure of performance.

## **2.2 Empirical Review**

### **2.2.1 Supplier Qualification Screening and Performance**

Supplier qualification screening is a key step in the entire procurement process. The main duty of the organization is to verify the supplier's ability to meet the buyer's myriad requirements. This is because production delays due to parts shortages and recalls of faulty products produced by noncompliant suppliers have cost buyer firms millions of dollars through recalls, warranty costs, and associated inventory adjustments, and have inflicted untold damage on their reputations and future sales potential (Kipchilat, 2006)

Empirical research conducted by Griffith (2002) in the United States to establish the role of suppliers on production efficiency revealed that 60% of none governmental organizations that employed supplier qualification screening in their procurement process completed customer orders in good time. However according to a Meta-analysis conducted by Lysons and Gullingham (2003) direct sourcing was the most efficient procurement method among private oil companies in Australia. The two studies while demonstrating that procurement processes are significant within procurement function fails to demonstrate how supplier qualification screening influences performance in public institutions. The current study examined the effects of supplier qualification screening on performance of public institutions.

To avoid the dire outcomes of supplier non-performance, buyers typically take proactive steps to verify a supplier's qualifications prior to awarding them a contract. The primary goal

of supplier qualification screening is to reduce the likelihood of supplier non-performance, such as late delivery, non-delivery, or delivery of non-conforming (faulty) goods. A secondary goal is simply to ensure that the supplier will be a responsible and responsive partner in the day-to-day business relationship with the buyer (Bukhala 2003).

Procurement process holds a surprising degree of relevance for today's complex, global supply chains. A comparative report by Griffith (2002) sought to know the financial capacity of suppliers airplane parts. It was established that Boeing's 787 Dream liner production schedule was significantly affected by shortages of fasteners, essentially bolts that secure sections of the fuselage together. The efficiency of the dream liner was thus significantly reduced. While this report does not directly link the financial status of the supplier, consensus is that suppliers with weak financial status cannot meet the strict specification and quantity required by the buying organization. Bukhala (2003) agrees that in consumer products, many product safety issues have been traced back to suppliers failing to meet a buyer's requirements, resulting in dangerous lead paint in toys, unsafe car tires, and pet food containing poisonous chemicals. These researches however fail to point out the reasons for such supplier non-conformance that leads to inefficiency in the organization. The current study looked at the variables under supplier qualification screening such as conformance and how it affects performance.

Production delays due to parts shortages and recalls of faulty products produced by noncompliant suppliers have cost buyer firms millions of dollars through recalls, warranty costs, and associated inventory adjustments, and have inflicted untold damage on their reputations and future sales potential. In the US Menu Foods' market capitalization was halved after the firm recalled its pet food in March 2007; its suppliers were suspected of mixing toxic melamine into their wheat gluten in an effort to make it appear more protein-rich (Lysons and Gullingham, 2003). New Jersey based tire importer Foreign Tire Sales traced field failures of its tires to an unauthorized design change made by its supplier, whose design engineer decided to omit gum strips, apparently unaware of their role in preventing tread separate, on a surprised Foreign Tire Sales was forced by U.S. government authorities to recall a quarter of a million tires, and risked bankruptcy as a result (Baily1998). As such, the effectiveness and efficiency of the buying organization reduces. The study however does not show explicitly how supplier qualification screening helps to assess the ability of the supplier to meet specifications. The current study looked at supplier qualification screening leads to efficiency and effectiveness of the organization.

In financial status checks, the buyer may use published supplier ratings to determine the supplier's financial status and likely financial viability in the short to medium term. For example, if the supplier has recently assumed significant debt, this may raise red flags about the possibility the supplier will declare bankruptcy before fulfilling its obligations to the buyer. In surge capacity availability, the supplier's capacity to increase delivery quantities within short lead times is important as the buyer may be uncertain about their exact quantity needs over the life of the contract. This is particularly true for long-term contracts where demand for the buyer's product may be heavily tied to unforeseen market events (e.g., demand for an airplane manufacturer's products is highly dependent on the overall economy, which in turn periodically goes through periods of growth and contraction). Surge capacity is available when a supplier has access to second or third shifts, overtime, underutilized facilities (Pandey, 2005).

In an empirical study by Kipchalit (2006) sought to examine the quality of suppliers in relation to performance of the buying organization. The study revealed that 75% of the companies which contracted suppliers with ISO 90004 or similar quality certifications recorded increased efficiency and effectiveness in their organizations. Although ISO certification is not the only measurement of quality, it indicates that the supplier has policies, procedures, documentation, and training in place to ensure continuous adherence to quality standards. However, in some cases the certification documents can be misleading and/or easily forged (Kipchalit, 2006). To actually see if an adequate level of quality is achievable, the buyer may have to look deeply into the supplier's organization to ensure the supplier is capable and competent to meet the buyer's specifications. An organization's performance is quantified by how well the activities within a process or the outputs of a process achieve a specified goal, yet this study do not show directly how organization performance is realized with quality suppliers. This study looked at supplier quality on performance.

### **2.2.2 Competitive bidding and performance**

Competitive bidding is transparent procurement method in which bids from competing contractors, suppliers or vendors are invited by openly advertising the scope, specifications, and terms and conditions of the proposed contract as well as the criteria by which the bids will be evaluated. Competitive bidding aims at obtaining goods and services at the lowest price by stimulating competition, and preventing favoritism. In open competitive bidding (also called open bidding), the sealed bids are opened in full view of all who may wish to witness the bid opening, in closed competitive bidding (also called closed bidding), the sealed



bids are opened in presence only of authorized personnel. Competitive bidding therefore ensures value for money and consequently efficiency and effectiveness of the organization is ensured (Delloitte Consulting, 2005).

In a study conducted in Kenya by the Public Procurement Oversight Authority (PPOA) (2007), the introduction of the legal and regulatory procurement framework; the establishment of the PPOA as an oversight body; the development of framework for contract administration and the new appeals mechanism were among those aspects of the procurement system rated as having been positively affected by the Regulations. The existing institutional development capacity in procuring entities and functioning of the procurement market were assessed as being among the weakest aspects of the system. The report noted that although procedures supporting systematic procurement planning have been established, research showed that there was still no value for money. The report in this study was not explicit on competitive bidding and its influence on performance.

Dhar and Balakrishnan, (2006) concurs that when procurement regulations are not complied with, corruption cannot be eliminated in the procurement process. As such money can change hands and the supplier contracted may not be the best. Corruption reduces organizational performance since the degree to which the organization produces the desired result (effectiveness) in the procurement function is hampered. Corruption also leads to the usage of a lot of resources as inputs to produce minimum output thus organization performance is decreased. However, corruption only occur where there is no or low adherence to procurement procedures

One of the strong points about Regulations according to the report by the PPOA (2007) was that procurement decision making had been fully delegated. The Regulation's provides for a fully decentralized procurement process, leaving the full responsibility of undertaking procurements to the tender committees the procurement unit at the level of the procuring entity. Regulations were also meant to ensure that efficient training had been offered to professionals to serve in procurement. It was also revealed by the study by the PPOA that the available expertise at the procurement units did meet the need for specialized procurement knowledge despite there being steps towards developing a professional procurement workforce. A lot of goods and services procured were thus not precise. In competitive bidding, suppliers are not forced to submit their bids and therefore the ones that choose to participate in the tender process must submit genuine and precise goods and services. The study however failed to demonstrate how procurement of non-precise goods was linked to

performance of the institutions. The current study looked at all the variables under competitive bidding and how they impact performance of public organizations.

Farmer and Weele (2000) assert that the overall lack of procurement knowledge remains a major weakness to the efficiency of procurement operations. On lead time, the PPOA (2007) study found out that the laws and procedures did not support timely procurement, contract execution and payment. For example, there were no legal provisions, procedures and or guidelines on the time limits for appropriation of funds, the processing of invoices and payments. In a study by KPMG International carried out after the introduction of the Regulations, it was still found out that public procurement suffers from fraud and misconduct (KPMG, 2008). In yet another study by KACC, it was noted that public officials distort the regulations to restrict the participation of interested firms in procurement, or still direct the outcome of others. In a survey of public institutions by the KACC in 2007 after PPDR had been implemented, it was revealed that procurement had become more transparent, formal and clearer. Despite the fact that these studies conflict among themselves, they also fail to point out performance is connected to the procurement processes.

### **2.2.3 Supplier Evaluation and Performance**

The buyer begins the supplier evaluation process by identifying the dimensions it wishes to use when evaluating suppliers. Comesa public procurement reform project (2004) surveyed 76 papers on supplier selection in the purchasing literature and found that price, quality and delivery were the most commonly listed supplier evaluation dimensions. However, Pandey (2005) established different list on his Meta-analysis of such dimensions, categorized by prevalence in the purchasing literature. Frequently appearing dimensions included production capacity and flexibility, technical capabilities and support, information and communication systems, financial status, and innovation and R&D. Dimensions that appeared with moderate frequency. The two studies merely provided dimensions of evaluation which they fail to connect to performance of organization. The current study addressed the said gap by establishing the effects of supplier evaluation on performance of public institutions.

In a literature survey conducted by Jap (2003) it was established that 70% of organizations who had chosen suppliers with technical capability had reduced misfits of the machine parts. The survey further indicated that the organization employees found it easy to replace the machine parts simply by reading the instructions of the supplier. As much as this study indicates that there was performance by reduced misfits of the machine parts, it did not deal

with service institutions. As such there was no performance measurement for a public service institution.

Farmer, (2003) posits that buyers often employ new dimensions in response to prevailing business issues and challenges. Dimensions that have emerged recently include environmental and social responsibility, safety awareness, domestic political stability, cultural congruence with the buyer organization, and terrorism risk. Once suitable dimensions are identified, the ability to rank order suppliers is crucial for reaching an informed supplier selection decision. Rank ordering is simple when supplier bids are differentiated by a sole dimension such as price. This might be the case, for example, if the buyer has issued a request for quotation (RFQ) for a highly standardized component delivered in a certain quantity by a certain date and suppliers are asked to respond with their price for the contract. However, rank ordering suppliers becomes complex when bids must be evaluated across multiple dimensions. For example, if the buyer wishes to evaluate suppliers' bids on the dimensions of price and lead time, the buyer must construct a tradeoff between these two dimensions to determine whether it prefers, say, a bid with a high price and short lead time to a bid with a low price and long lead time. The challenge of supplier evaluation lies in constructing this tradeoff in a way that accurately reflects the buyer's preferences.

In a study conducted by Leenders and Fearon (1997), it was established that organizations that had chosen suppliers with bigger production capacity and flexibility increased their market share by 30% while there was no market share increase for the organization who did not evaluate their suppliers with such dimensions. While market share increase is a performance indicator for organizations, it is not clear in this study how the market share was increased. The study was also not done in public institutions that do not compete for the market share.

The studies reviewed in this section leave several gaps. For instance, on the supplier qualification screening sub theme, the studies while demonstrating that procurement processes are significant within procurement function, fails to demonstrate how supplier qualification screening influences performance in public institutions. In regard to competitive bidding, the studies reviewed are full of contradictions as to whether competitive bidding has positive contribution to organization performance. But more fundamentally, the studies fail to narrow down to how competitive bidding affect efficiency and effectiveness of public institutions. On the subject of supplier evaluation, the studies reviewed merely outlines dimensions for evaluation and failing to establish the effects of supplier evaluation on performance. The current study is designed to examine the influence of procurement process

on performance of public institutions by. Specifically, the study will look at the effect of supplier qualification screening on performance of public institutions, the effects of competitive bidding on performance of public institutions as well as the effects of supplier evaluation on performance of public institutions.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

This chapter focuses on the research design, study area, target population, sampling frame and data collection. Under data collection it looks at source of data, data collection procedure, instruments of data collection, reliability of instruments and validity of instruments. It finally looks at data analysis, data presentation and research ethics

#### **3.1 Research Design**

The study employed a case study design to determine the influence of procurement process on performance of public institutions in Kenya. A case study was preferred because it involves a careful and complete observation of social unit, a person, institution, family, cultural group or an entire community and emphasize depth rather than breath of study (Mugenda, 1999).

#### **3.2 Study Area**

The ideal setting for any study is one where a researcher has interest in, one which is easily accessible and one that allows the researcher's immediate rapport with the respondent. The study was carried out in Vihiga County in Kenya. Vihiga County is an administrative region in the former Western Province of Kenya whose headquarters is at vihiga, the largest town in the county. The county has a population of 554,622 and an area of 563 km<sup>2</sup>. Vihiga County has hilly terrain and lies 0.0921° N, 34.7299° E. It also has a good amount of forest cover such as Kibiri forest, which is an extension of Kakamega forest. Agriculture is the main economic activity. Crops planted include tea, maize, millet, bananas, avocado, papaya, sweet potatoes and cassava. Livestock rearing is also practiced in the county KNBS, 2009).

#### **3.3 Target Population**

The study targeted 120 employees within Vihiga County Government who are at management level.

#### **3.4 Sample and Sampling Techniques**

This study adopted saturated sampling design. According to Jap (2003) saturated sampling is justified in a case study because in many cases, the population is homogeneous and small, that is made of respondents from similar management function and therefore allows all elements to be included in the sample. The sample comprised all the 120 employees within Vihiga County Government.

### **3.5 Data Collection**

#### **3.5.1 Source of Data**

This study made use of both primary and secondary data. Primary data was sourced from the data collected from the respondent using questionnaires, while secondary data was sourced from journals, publications and abstracts.

#### **3.5.2 Data Collection Procedures**

The researcher first obtained letter of introduction endorsed by university and a research permit from the county procurement office.

Questionnaires for primary data collection were prepared and administered to the respective respondents, presented by the researcher through personal visits to the respondents.

#### **3.5.3 Data Collection Instruments**

The instrument for data collection was questionnaires for primary data. The questionnaire was used because it provides reliable, valid and theoretically satisfactory results in cases where the respondents have first hand information on a phenomenon Sekaran, (2005).

The researcher acknowledges that personally administered questionnaires are best when the survey is confined to a local area as in this case. Sekaran (2005), further states that the advantages of using them are that: the researcher can collect all completed responses within a short period; clarifications can be made on the spot in cases where respondents have doubt; questionnaires can be administered to a large number of individuals at the same time resulting in cost and time savings. Questionnaire was divided into five parts. The first part addressed demographic characteristics of respondents, the second part addressed the effects of supplier qualification screening on performance, the third part of the questionnaire addressed the effects of competitive bidding on performance the fourth part dealt with the effects of supplier evaluation on performance and lastly respondents were given a chance to comment on performance of procurement processes.

#### **3.5.4 Reliability Tests**

According to Meller, (2001) reliability of measurement concerns the degree to which a particular measuring procedure gives similar results over a number of repeated trials. Reliability is an extent to which a questionnaire or any measurement procedure produces the same results on repeated trials. The reliability of the research instrument was established through a pilot study, Cronbach's alpha test of internal consistency was used to test the reliability of the questionnaire. Cronbach's alpha indicates the extent to which a set of items

could be treated as using a single latent variable. Of the 130 respondents 10 respondents were used for pretesting and thus were not used in the final sample. The recommended value of 0.7 and above was used as cut off point. The value of less than 0.7 implied that the internal consistency among number of items were weak (Cooper and Schindler, 2006). In the present study a cronbach alpha value of 0.81 was obtained thus indicating that the instruments were reliable. The closer the Cronbach's alpha coefficient is to 1, the greater the internal consistency of the items in the scale

### **3.5.5 Validity Tests**

Validity tests to Saunders, Lewis and Thornhill (2007) is the degree to which a test measures what it is supposed to measure. The questionnaires were pre-tested using a third of the respondents. This was useful in eliminating partiality and fault in the design of the instrument; it also made the researcher more familiar with the questionnaire and scrutinized the sequence, contents and procedure. Content validity was ensured through literature survey and expert judgment. According to Aila and Ombok (2015), content validity can be ensured by literature searches to ensure that items are based on the study concepts. This can be corroborated by expert judgment and the mitigation of corrections given by the expert.

### **3.6 Data Analysis and Presentation**

The researcher applied descriptive method to analyze data which was presented in figures and tables.

### **3.7 Ethical Considerations**

Prior to data collection, ethical approval was sought from Maseno University. The researcher ensured responsible use of data and respects the dignity and welfare of anyone the researcher worked with. The study adhered to the universal principles underlying research such as honesty and respect for the rights of individuals or personalities in the study. Informed consent as Grey (2002) points out is an important ethical norm any researcher should consider. Consequently, the researcher in this study sought permission from the respondents individually before participation. No participant was forced to either answer any question they do not feel comfortable with or disclose information they would not wish to divulge. Responses given by an individual were not shared by any other persons except those directly involved in the study and were only used for academic purposes. This was explained clearly to the participants beforehand. All respondents were assured of confidentiality, that their names would not be written on the questions or reports, and that they would be free to withdraw from the study at any time.

## **CHAPTER FOUR RESULTS AND DISCUSSION**

This chapter discusses the interpretation and presentation of the findings obtained from the field. The chapter presents the background information of the respondents, findings of the analysis based on the objectives of the study. The study quantitative data were analyzed using both descriptive statistics which included frequency distributions, percentages, means and standard deviations, and inferential statistics. Statistical tests including Pearson product-moment correlation and multi-regression analysis were used to test the hypotheses.

### **4.1 Questionnaire Response Return Rate**

The information entails the respondents that gave the full information concerning the questions asked in the questionnaire. A total of 120 employees in Vihiga County were approached and the response return rate presented as shown in Table 4.1

**Table 4.1 Response Return Rate**

| <b>Respondents</b> | <b>Sample size</b> | <b>Response<br/>Return</b> | <b>Percent response<br/>return</b> |
|--------------------|--------------------|----------------------------|------------------------------------|
| Employees          | 120                | 112                        | 93.33                              |

**Source:** data 2016

The results shown in table 4.1, indicates that there was a high and recommended response return rate. From the 120 county employees that were approached to respond to the questionnaire, the overall response return rate was 112(93.33%), thus indicating that a high percentage of the responses was obtained which is reliable for data analysis and meets the requirements for correlation.

### **4.2 Demographic Information of the Respondents**

To establish the demographic information of the respondents, they were asked to indicate their gender, age, level of education and work experience. These would help ascertain whether the information collected was from the targeted category of respondents whose capability to respond would not be questionable. The results for these characteristics are presented as shown in Table 4.2.



**Table 4.2 Demographic Data of the Respondents**

| <b>Demographic Characteristics</b> | <b>Category</b> | <b>Frequency</b> | <b>Percentage</b> |
|------------------------------------|-----------------|------------------|-------------------|
| Gender                             | Male            | 60               | 53.6              |
|                                    | Female          | 52               | 46.4              |
|                                    | <b>Total</b>    | <b>112</b>       | <b>100</b>        |
| Age                                | Below 20 years  | 3                | 2.7               |
|                                    | 21-30 years     | 34               | 30.4              |
|                                    | 31-40 years     | 43               | 38.4              |
|                                    | 41-50 years     | 24               | 21.4              |
|                                    | Above 51 years  | 8                | 7.1               |
|                                    | <b>Total</b>    | <b>112</b>       | <b>100</b>        |
| Level of education                 | Secondary       | 14               | 12.5              |
|                                    | College         | 68               | 60.7              |
|                                    | University      | 30               | 26.8              |
|                                    | <b>Total</b>    | <b>112</b>       | <b>100</b>        |
| Experience                         | 1-5 Years       | 67               | 59.8              |
|                                    | 6-10years       | 37               | 33.0              |
|                                    | Above 10 Years  | 8                | 7.1               |
|                                    | <b>Total</b>    | <b>112</b>       | <b>100</b>        |

**Source:** Data 2016

From the results in Table 4.3, analysis of the results on gender distribution shows that most of the employees in the county are males 60(53.6%) while the remaining percentage, which is slightly lower, is composed of female employees, 46.4%. This shows that there is still need for gender balance within the staff. Concerning the respondent's age, majority, and 43 (38.4%) were aged between 31-40 years, only 2.7% below 20 years and 7.1% above 50 years, and the rest ranging between 21 years to 30 years (30.4%) and 41-50 years (21.4%). This shows that the majority of the age category reflects respondents that were mature enough and not too old also to give sober responses on the questionnaires. Highest percentage of respondents had attended college (60.7%), followed by those who had university education (26.8%) and the least consisting of secondary education level (12.5%). On the contrary, majority of the respondents had experience of 1-5 years (59.8%) while the least (7.1%)

above 10 years. However, any category of these experience was considered fit for required responses.

#### **4.3 Performance of Public Institutions in Vihiga County Government**

Before examining the factors that influenced the performance of public institutions in Vihiga County, the study sought to measure the performance measures put in place using two aspects which were; effectiveness and efficiency. The variables that composed of performance were: effectiveness and efficiency of reference checks, financial screening checks and ability to meet qualification, effectiveness and efficiency in improvement improved due to competitive bidding in terms of value for money, standardization and precise goods, and finally effectiveness and efficient on performance of procurement processes due to suppliers evaluation on price reduction, quality enhancement, timely delivery and improved production. These were presented, interpreted and discussed. The results are presented as shown in Table 4.3 using percentages, means and standard deviations.

**Table 4.3 Performance Measures of procurement of public Institutions in Vihiga County government**

| <b>Statement for Response</b>   | <b>Strongly disagree</b> | <b>disagree</b> | <b>No Comment</b> | <b>agree</b> | <b>Strongly Disagree</b> |
|---|--------------------------|-----------------|-------------------|--------------|--------------------------|
| Performance of procurement process has effectively and efficiently improved as a result of supplier qualification screening in terms of reference checks, financial screening checks and ability to meet qualification. |                          | 8(7.1)          | 14(12.5)          | 71(63.4)     | 19(17.0)                 |
| Performance of procurement has effectively and efficiently improved due to competitive bidding in terms of value for money, standardization and precise goods.  |                          | 51(45.5)        | 20(17.9)          | 38(33.9)     | 3(2.7)                   |
| These are effectiveness and efficient on performance of procurement processes due to suppliers evaluation on price reduction, quality enhancement, timely delivery and improved production.                             |                          | 14(12.5)        | 15(13.4)          | 81(72.3)     | 2(1.8)                   |

**Source:** Data 2016

[Means=3.90, sd=.75, mean=2.94, sd=.95, mean=3.63, sd=.722 respectively, overall mean=3.49, sd=.53]

Table 4.3 results indicate that highest percentage (63.4%) of respondents agreed that performance of procurement process has effectively and efficiently improved as a result of

supplier qualification screening in terms of reference checks, financial screening checks and ability to meet qualification. In addition, there was a high percentage (72.3%) response on the view that there are effective and efficient performance of procurement processes due to supplier's evaluation on price reduction, quality enhancement, timely delivery and improved production. Contrary, the findings on improvement of procurement due to competitive bidding in terms of value for money, standardization and precise goods was found low as reported by a high response of 45.5%. The overall mean for the performance was 3.49 with a standard deviation of .55 indicating that performance of procurement in public was slightly above average but still low.

#### **4.4 Procurement process on performance of public institutions**

After the presentation of performance results, the objectives of the study that included effects of supplier qualification screening, effects of competitive bidding, and effects of supplier evaluation on performance of procurement in Vihiga County government were presented. The following subtopics consist of the results, interpretation and discussion.

##### **4.4.1 Effects of Supplier Qualification Screening on Performance of Public Institutions**

In order to measure supplier qualification screening, respondents were asked to share their views on a five point likert scale starting with strongly disagree to strongly agree. Some of the main statements which they were to indicate the measuring included: reduction of late delivery, non-delivery and delivery of faulty goods; reference checks such as contacting previous customers; checking the financial status of the supplier which guarantees delivery; and finally checking the ability to meet quality standards by checking relevant certifications. The results were presented using means and standard deviations as shown in Table 4.4.

| Statement for Response   | Strongly disagree | disagree | No comment | Agree    | Strongly Agree |
|--|-------------------|----------|------------|----------|----------------|
| Supplier qualification screening reduces late delivery, non-delivery and delivery of faulty goods hence the organization realizes desired results.   |                   |          |            | 61(54.5) | 51(45.5)       |
| Supplier qualification screening helps the organization to do reference checks such as contacting previous customers hence delivery performance is enhanced.                                 |                   | 21(18.8) | 8(7.1)     | 67(59.8) | 16(14.3)       |
| Supplier qualification screening helps in checking the financial status of the supplier which guarantees delivery hence the organization realizes the desired results                        |                   | 16(14.3) | 14(12.5)   | 61(54.5) | 21(18.8)       |
| Supplier qualification Screening helps in checking the ability to meet quality standards by checking relevant certifications which in turn ensures the organization meets its desired result |                   | 5(4.5)   | 10(8.9)    | 81(72.3) | 16(14.3)       |

**Source:** Data 2016

It is clear that Supplier qualification screening reduces late delivery, non-delivery and delivery of faulty goods hence the organization realizes desired results as indicated in the findings shown in Table 4.4 where 54.5% of the respondents agreed and 45.5% strongly agreed. Furthermore, the results revealed a high percentage (59.8%) agreement on the verdict that Supplier qualification screening helps the organization to do reference checks such as contacting previous customers hence delivery performance is enhanced, and (54.5%) that Supplier qualification screening helps in checking the financial status of the supplier which guarantees delivery hence the organization realizes the desired results. Finally, it emerged that Supplier qualification Screening helps in checking the ability to meet quality standards by checking relevant certifications which in turn ensures the organization meets its desired result as revealed (72.3%) which is a large percentage

It was therefore necessary to find the relationship between Supplier qualification screening and performance of county government of Vihiga using Pearson Product Moment correlation in order to answer the null hypothesis. The results are presented as shown in Table 4.5.

**Table 4.5 Relation between supplier screening and performance of County Government of Vihiga**

|                                  | Mean( SD) |                     | Performance | supplier qualification screening |
|----------------------------------|-----------|---------------------|-------------|----------------------------------|
| Performance                      | 3.49(.53) | Pearson Correlation | 1           | .242**                           |
|                                  |           | Sig. (2-tailed)     |             | .002                             |
|                                  |           | N                   | 112         | 112                              |
| supplier qualification screening | 3.87(.40) | Pearson Correlation | .242**      | 1                                |
|                                  |           | Sig. (2-tailed)     | .002        |                                  |
|                                  |           | N                   | 112         | 112                              |

**Source:** Data 2016 \*\*. Correlation is significant at the 0.01 level (2-tailed).

Table 4.5 results indicate that there was a low positive non-significant correlation between performance of county government and supplier qualification screening ( $r=.242$ ,  $p>.05$ ). This implies that supplier qualification screening did not have a significant relationship with performance and therefore could not have an influence. These studies are different from studies carried out by Kipchalit (2006) which sought to examine the quality of suppliers in relation to performance of the buying organization. The study revealed that 75% of the companies which contracted suppliers with ISO 90004 or similar quality certifications recorded increased efficiency and effectiveness in their organizations

#### **4.5.1 Competitive bidding on performance of Vihiga County government**

This entailed a few aspects that were considered to be in line with competitive bidding. Therefore respondents were asked to share their views on a five point likert scale starting with strongly very small extent to very large extent. These included: ensures value for money by choosing good quality with the lowest price which ensures minimum resources are utilized for maximum output; eliminates corruption and hence no money changes hands for poor quality goods. Instead best quality is attracted at the lowest cost which ensures efficiency; ensures that the suppliers who choose to participate submit only precise goods since they are not forced to submit bids which ensure that organization realizes desired results; and promote standardization which ensures that organization's desired results in terms of standardization is realized. The first results for frequency counts and percentages are presented as shown in Table 4.6 on a five point likert scale.

#### **Table 4.6 Extent of Competitive bidding**

| Statement for Response   | Strongly Disagree | disagree | No comment | agree    | Strongly agree |
|--|-------------------|----------|------------|----------|----------------|
| Competitive bidding ensures value for money by choosing good quality with the lowest price which ensures minimum resources are utilized for maximum output   |                   | 18(16.1) |            | 47(42.0) | 47(42.0)       |
| Competitive bidding eliminates corruption and hence no money changes hands for poor quality goods. Instead best quality is attracted at the lowest cost which ensures efficiency                     | 2(1.8)            | 24(21.4) | 4(3.6)     | 43(38.4) | 39(34.8)       |
| Competitive bidding ensures that the suppliers who choose to participate submit only precise goods since they are not forced to submit bids which ensure that organization realizes desired results. | 10(8.9)           |          | 12(10.7)   | 77(68.8) | 13(11.6)       |
| Competitive bidding promote standardization which ensures that organization's desired results in terms of standardization is realized.   | 25(22.3)          |          |            | 83(74.1) | 4(3.6)         |

**Source:** Data 2016

Table 4.6 results indicate that competitive bidding ensures value for money by choosing good quality with the lowest price which ensures minimum resources are utilized for maximum output as revealed by the highest percentage of respondents who strongly agreed (42.0%). It was also clear from majority of the respondents (38.4%) who agreed and strongly agreed that Competitive bidding eliminates corruption and hence no money changes hands for poor quality goods. Instead best quality is attracted at the lowest cost which ensures efficiency. Concerning selected suppliers, the results revealed that competitive bidding ensures that the suppliers who choose to participate submit only precise goods since they are not forced to submit bids which ensure that organization realizes desired results as revealed by 68.8% of respondents who agreed. Finally, a high percentage of the respondents (74.1%) agreed that Competitive bidding promote standardization which ensures that organization's desired results in terms of standardization is realized.

Pearson product moment correlation was also used to test whether there is a relationship between competitive bidding and performance of public institutions in Vihiga County. The results are presented as shown in table 4.7.

**Table 4.7 Relationship between Competitive bidding and Performance of Vihiga County Government**

|                     | Mean(SD)  |                     | Performance | Competitive bidding |
|---------------------|-----------|---------------------|-------------|---------------------|
| Performance         | 3.49(.53) | Pearson Correlation | 1           | .410**              |
|                     |           | Sig. (2-tailed)     |             | .000                |
|                     |           | N                   | 112         | 112                 |
| Competitive bidding | 3.83(.45) | Pearson Correlation | .410**      | 1                   |
|                     |           | Sig. (2-tailed)     | .000        |                     |
|                     |           | N                   | 112         | 112                 |

**Source:** Data 2016 \*\*. Correlation is significant at the 0.01 level (2-tailed).

From the findings revealed in Table 4.7, there is a low moderate but significant correlation between competitive bidding and performance of county government of Vihiga ( $r=.410$ ,  $p<.05$ ). This means that there is a relationship between competitive bidding and performance of the county and therefore competitive bidding could have an influence on performance. As a result, the study proceeded to carry out a simple linear regression model to determine the percentage change in performance accounted for by competitive bidding. The results for the summary model are presented as shown in table 4.8.

**Table 4.8 Model Summary for percentage change in Performance explained by competitive Bidding**

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | F     | df1 | df2 | Sig. F |
|-------|-------------------|----------|-------------------|----------------------------|-------------------|-------|-----|-----|--------|
| 1     | .410 <sup>a</sup> | .168     | .161              | .51577                     | R Square Change   | 9.423 | 1   | 110 | .001   |

a. Predictors: (Constant), Competitive bidding

**Source:** Data 2016



The results from Table 4.8 shows that using simple linear regression model, competitive bidding explained 16.1% significant change in performance of county government [ Adjusted  $R^2=0.161$ ,  $p<.05$ ]. The model was also found to be significant thus implying that the independent variable in the population is related to dependent variable. Therefore the null hypothesis that competitive bidding has influence on performance was adopted. The results were further extended to the model coefficient results in order to determine the unique influence of the competitive bidding on performance. The results are presented as shown in Table 4.9

**Table 4.9 Unique influence of Competitive Bidding on Performance**

| Model | Unstandardized      |            | Standardized | t     | Sig.  |      |
|-------|---------------------|------------|--------------|-------|-------|------|
|       | Coefficients        |            | Coefficients |       |       |      |
|       | B                   | Std. Error | Beta         |       |       |      |
| 1     | (Constant)          | 2.202      | .423         | 5.209 | .000  |      |
|       | Competitive bidding | .336       | .109         | .410  | 3.070 | .001 |

a. Dependent Variable: Performance

**Source:** Data 2016

Competitive bidding was found to have a unique significant contribution to the performance of county government of Vihiga ( $\beta=.410$ ,  $p=0.005$ ), and therefore this implies that there is a unique influence of competitive bidding on performance of county government of vihiga. A one 0.45 standard deviation increase in competitive bidding will lead to a .410 unit increase in performance when measured on a scale. These findings concur with other findings, such as those in a study conducted in Kenya by the Public Procurement Oversight Authority (PPOA) (2007), which revealed that the introduction of the legal and regulatory procurement framework; the establishment of the PPOA as an oversight body; the development of framework for contract administration and the new appeals mechanism were among those aspects of the procurement system rated as having been positively affected by the Regulations.

#### **4.5.2 Supplier Evaluation on performance of Vihiga County Government**

Respondents were asked to share their views on a number of aspects that were believed to encompass supplier evaluation as reviewed by the study. Therefore using a five point likert

scale, the views were measured and presented in percentages and frequencies as shown in Table 4.6.

**Table 4.10 Views on Supplier Evaluation**

|  | <b>Strongly disagree</b> | <b>disagree</b> | <b>No comment</b> | <b>Agree</b> | <b>Strongly agree</b> |
|--|--------------------------|-----------------|-------------------|--------------|-----------------------|
| Supplier evaluation ensures low price and hence organization maximizes output with minimum resources (efficiency)  |                          | 2(1.8)          |                   | 73(65.2)     | 37(33.0)              |
| Supplier evaluation ensures that suppliers who supply technical equipment accompany them with end user manual which ensures that organization realizes desired results without misfits.                              | 2(1.8)                   | 18(16.1)        | 6(5.4)            | 63(56.3)     | 23(20.5)              |
| Supplier evaluation ensures that the supplier has a favorable warranty and claim policies so that faulty goods can be replaced without additional costs hence minimum resources are used to produce maximum outputs. |                          | 27(24.1)        | 16(14.3)          | 55(49.1)     | 14(12.5)              |
| Supplier evaluation ensures that there is cultural congruence with the buying organization so that the realization of the desired results is promoted.   |                          | 4(3.6)          | 29(25.9)          | 48(42.9)     | 31(27.7)              |

**Source:** Data 2016

The findings in Table 4.10 indicate that Supplier evaluation ensures low price and hence organization maximizes output with minimum resources as revealed by 65.2% of the respondents who agreed, and that Supplier evaluation ensures that suppliers who supply technical equipment accompany them with end user manual which ensures that organization realizes desired results without misfits as shown by 56.3% of the respondents who agreed and 20.5% who strongly agreed. The findings also revealed that the highest percentage (49.1%) saw that supplier evaluation ensures that the supplier has a favorable warranty and claim policies so that faulty goods can be replaced without additional costs hence minimum resources are used to produce maximum outputs. Finally, there was a positive response on the fact that Supplier evaluation ensures that there is cultural congruence with the buying organization so that the realization of the desired results is promoted with 42.9% agreeing

and 27.7% strongly agreeing. This indicates that there was a relatively positive response on the supplier evaluation.

Based on these findings, it was important to find out whether a relationship existed between supplier evaluation and performance of Vihiga county institution using Pearson Product moment correlation. The results were presented as shown in Table 4.11

**Table 4.11 Correlation between Performance and Supplier Evaluation**

|                     | Mean(SD)  |                 | Performance | Supplier evaluation |
|---------------------|-----------|-----------------|-------------|---------------------|
| Performance         | 3.49(.53) | Pearson         | 1           | .246                |
|                     |           | Correlation     |             |                     |
|                     |           | Sig. (2-tailed) |             |                     |
|                     |           | N               | 112         | 112                 |
| Supplier evaluation | 3.87(.40) | Pearson         | .246        | 1                   |
|                     |           | Correlation     |             |                     |
|                     |           | Sig. (2-tailed) |             |                     |
|                     |           | N               | 112         | 112                 |

From the findings in Table 4.11, it is clear that there was a low positive significant correlation between supplier evaluation and performance of county government of Vihiga ( $r=.246$ ,  $p<.05$ ). This implies that there was a very small relationship between supplier evaluation and performance of county government of Vihiga, which was not significant. Squaring the coefficient of correlation, we obtain a coefficient of determination which shows the percentage variance shared by both supplier evaluation and performance [ $R^2=.6052$ ] which when multiplied by 100 give 6.05%, a very low percentage that is non-significant. This leads to a conclusion that supplier evaluation did not have a significant influence on performance. These studies are quite different from other studies which revealed that organizations that had chosen suppliers with bigger production capacity and flexibility increased their market share by 30% while there was no market share increase for the organization who did not evaluate their suppliers with such dimensions (Leenders and Fearon, 1997). However, based on the present findings, it can be concluded that supplier evaluation has an influence on performance of county government.

## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents conclusions, recommendations, and suggestions for further studies. The problem of this study emanated from low performance of county government of Vihiga despite many procurement processes taking place. The purpose of this study was to investigate the factors influencing the performance of county government of Vihiga

#### 5.1 Summary of Findings

The first objective of the study was to examine the effects of supplier qualification screening on performance of Vihiga County government. The study results indicate that there was a low positive significant correlation between performance of county government and supplier qualification screening ( $r=.242$ ,  $p<.05$ ). This implies that supplier qualification screening have a significant relationship with performance and therefore could not have an influence.

The second objective of the study was to determine the effects of competitive bidding on performance of Vihiga County government. There was a moderate but significant correlation between competitive bidding and performance of county government of Vihiga ( $r=.410$ ,  $p<.05$ ). This means that there is a moderate relationship between competitive bidding and performance of the county and therefore competitive bidding could have an influence on performance. Using simple linear regression model, competitive bidding explained 16.1% significant change in performance of county government [Adjusted  $R^2=.161$ ,  $p<.05$ ]. The model was also found to be significant thus implying that the independent variable in the population is related to dependent variable

The third objective of the study was to establish the effects of supplier evaluation on performance of Vihiga County government. It was clear from the findings that there was a low positive non-significant correlation between supplier evaluation and performance of county government of Vihiga ( $r=.246$ ,  $p<.05$ ). This implies that there was a very small relationship between supplier evaluation and performance of county government of Vihiga, which is significant.

## **5.2. Conclusions**

Based on the findings of the study, the following conclusions were made;

In the current study, supplier qualification screening does not have an influence on performance and therefore it is concluded that there is no influence of supplier qualification on performance of county government of Vihiga County. In addition, the present findings on competitive bidding concurred with other findings, such as those in a study conducted in Kenya by the Public Procurement Oversight Authority (PPOA) (2007), which revealed that the introduction of the legal and regulatory procurement framework; the establishment of the PPOA as an oversight body; the development of framework for contract administration and the new appeals mechanism were among those aspects of the procurement system rated as having been positively affected by the Regulations thus leading to the conclusion that competitive bidding had an influence on performance. Finally, based on the low relationship between supplier evaluation and performance, it can be concluded that supplier evaluation does not have an influence on performance of county government. The overall performance was also found to be low since it was slightly above the average, yet many other aspects were not considered.

## **5.3 Recommendations**

The study made the following recommendations

1. The county government of Vihiga should improve their supplier qualification in order for it to have a significant influence on performance
2. More concentration should be put on competitive bidding in order to ensure that the relationship between it and performance improves
3. More open and transparent supplier evaluation should be practiced.

## **5.4 Limitation of the Study**

The major limitation of this study was its respondents had the fear of unknown hence most data were not highly relied on. Time and insufficient funds were also part of the study limitation since the researcher dint get any grant to facilitate on the study expenses.

#### **5.4 Areas for further Research**

The study was based on examining the influence of procurement process on performance of public institutions in Kenya. The study recommends that a study should be done on 'Effect of Supplier Evaluation, Competitive Bidding and Supplier Evaluation on Performance' so that a concrete solution on effectiveness and efficiency of procurement procedures in Public Institutions can be arrived at.

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## APPENDIX I: QUESTIONNAIRE

Dear Respondent,

This questionnaire was intended to collect data from all employees to be analyzed to establish the influence of procurement process on performance. The information was used for academic purposes only and was treated with strict confidence. Your participation was highly appreciated.

### Section A: Personal Details

**Respondents Profile:** *(please tick as appropriate)*

#### 1 Gender

Male

Female

#### 2 Age

20 years old and below

21-30 years old

31-40 years old

41-50 years old

51 years old and above

#### 3 Level of education

Primary

Secondary

College

University

Others (specify)

#### 4 Work experience

Below 1 year

1-5 years

6-10 years

Above 10 years

## SUPPLIER QUALIFICATION SCREENING ON PERFORMANCE.

*(Please tick as appropriate)*

5 In the following table please indicate your opinion for the statements provide.

| Statement for Response   | Response       |       |            |          |                   |
|--|----------------|-------|------------|----------|-------------------|
|  | Strongly Agree | Agree | No comment | Disagree | Strongly Disagree |
| Supplier qualification screening reduces late delivery, non-delivery and delivery of faulty goods hence the organization realizes desired results.   |                |       |            |          |                   |
| Supplier qualification screening helps the organization to do reference checks such as contacting previous customers hence delivery performance is enhanced.                                 |                |       |            |          |                   |
| Supplier qualification screening helps in checking the financial status of the supplier which guarantees delivery hence the organization realizes the desired results                        |                |       |            |          |                   |
| Supplier qualification Screening helps in checking the ability to meet quality standards by checking relevant certifications which in turn ensures the organization meets its desired result |                |       |            |          |                   |

**COMPETITIVE BIDDING ON PERFORMANCE.** *(Please tick as appropriate)*

6 Please indicate your opinion in the spaces provided for the following statements.

| Statement for Response   | Response       |       |            |          |                   |
|--|----------------|-------|------------|----------|-------------------|
|  | Strongly Agree | Agree | No comment | Disagree | Strongly Disagree |
| Competitive bidding ensures value for money by choosing good quality with the lowest price which ensures minimum resources are utilized for maximum output   |                |       |            |          |                   |
| Competitive bidding eliminates corruption and hence no money changes hands for poor quality goods. Instead best quality is attracted at the lowest cost which ensures efficiency                     |                |       |            |          |                   |
| Competitive bidding ensures that the suppliers who choose to participate submit only precise goods since they are not forced to submit bids which ensure that organization realizes desired results. |                |       |            |          |                   |
| Competitive bidding promote standardization which ensures that organization's desired results in terms of standardization is realized.   |                |       |            |          |                   |

**SUPPLIER EVALUATION ON PERFORMANCE.** *(Please tick as appropriate)*

7 In the given statements, please state your opinion in the spaces provided.

| Statement for Response   | Response       |       |            |          |                   |
|--|----------------|-------|------------|----------|-------------------|
|  | Strongly Agree | Agree | No comment | Disagree | Strongly Disagree |
| Supplier evaluation ensures low price and hence organization maximizes output with minimum resources (efficiency)  |                |       |            |          |                   |
| Supplier evaluation ensures that suppliers who supply technical equipment accompany them with end user manual which ensures that organization realizes desired results without misfits.                              |                |       |            |          |                   |
| Supplier evaluation ensures that the supplier has a favorable warranty and claim policies so that faulty goods can be replaced without additional costs hence minimum resources are used to produce maximum outputs. |                |       |            |          |                   |
| Supplier evaluation ensures that there is cultural congruence with the buying organization so that the realization of the desired results is promoted.   |                |       |            |          |                   |

## PEPPERFORMANCE OF PROCUREMENT PROCESS

(Please tick as appropriate)

8. Please indicate your opinions in the spaces provided

| Statement for Response  | Response       |       |            |          |                   |
|---|----------------|-------|------------|----------|-------------------|
|   | Strongly Agree | Agree | No Comment | Disagree | Strongly Disagree |
| Performance of procurement process has effectively and efficiently improved as a result of supplier qualification screening in terms of reference checks, financial screening checks and ability to meet qualification. |                |       |            |          |                   |
| Performance of procurement has effectively and efficiently improved due to competitive bidding in terms of value for money, standardization and precise goods.  |                |       |            |          |                   |
| These is effectiveness and efficient on performance of procurement processes due to suppliers evaluation on price reduction, quality enhancement, timely delivery and improved production.                              |                |       |            |          |                   |

**\*END OF THE QUESTIONNAIRE\***

**APPENDIX II SCHEDULE OF ACTIVITIES**

| <b>MONTH from July to<br/>September,2016</b> | <b>2wks</b> | <b>2wks</b> | <b>2wks</b> | <b>2wks</b> | <b>2wks</b> | <b>2wks</b> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>ACTIVITI-ES</b>                           |             |             |             |             |             |             |
| Formulation of research problem approval     |             |             |             |             |             |             |
| Literature survey                            |             |             |             |             |             |             |
| Developing research questions                |             |             |             |             |             |             |
| Preparation of research design               |             |             |             |             |             |             |
| Determining sample design                    |             |             |             |             |             |             |
| Drafting research proposal.                  |             |             |             |             |             |             |
| Collection of data                           |             |             |             |             |             |             |
| Data analysis                                |             |             |             |             |             |             |
| Generalization and interpretation            |             |             |             |             |             |             |
| Preparation of research report               |             |             |             |             |             |             |
| Final submission                             |             |             |             |             |             |             |
| Correction of research report                |             |             |             |             |             |             |

**Source: Self (2016)**

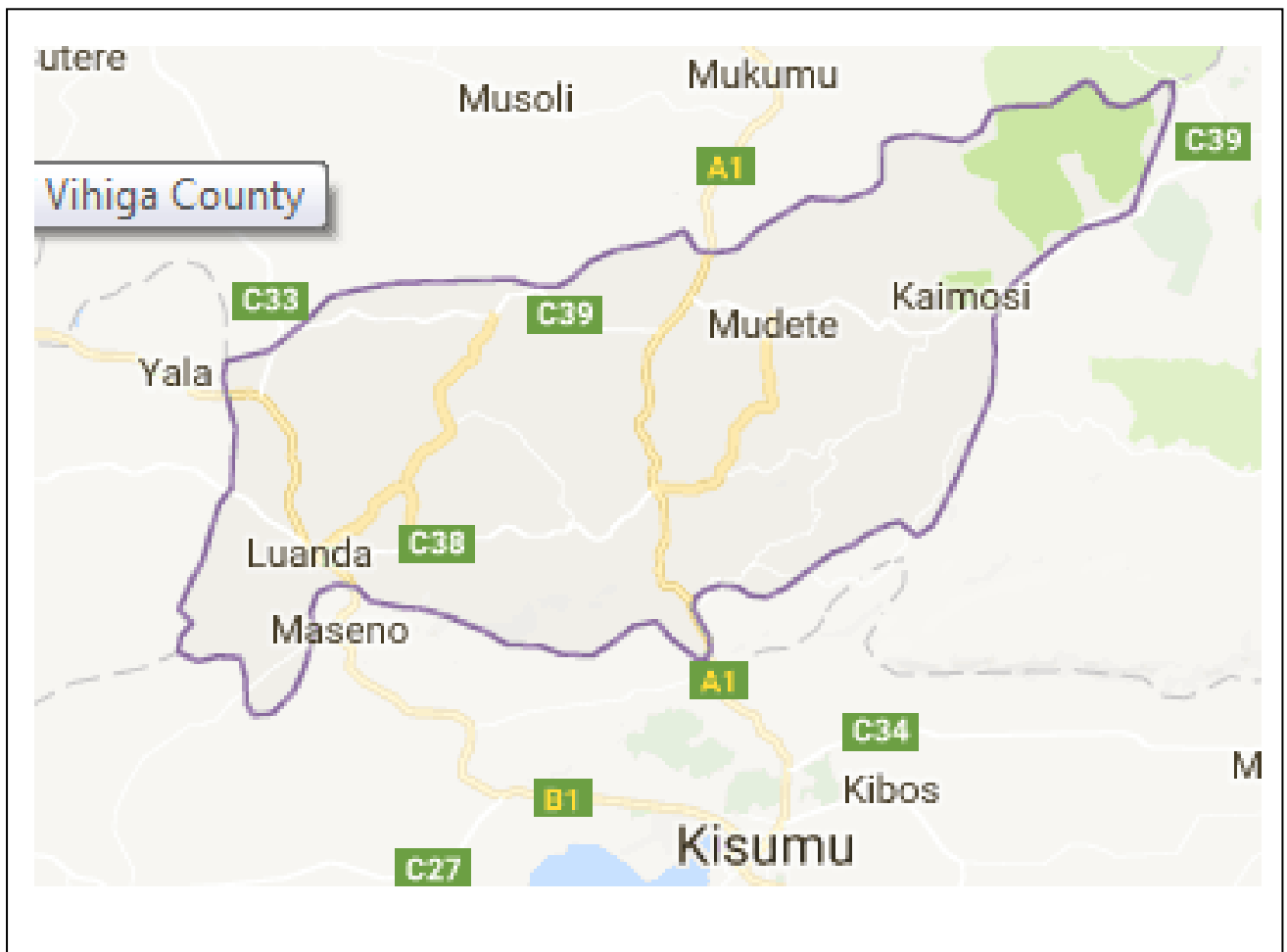
### APPENDIX III RESEARCH BUDGET

| ITEM                     | COST                                       | TOTAL            |
|--------------------------|--|------------------|
| Stationery               | Writing materials                          | 2400.00          |
|                          | Fools caps                                 | 2000.00          |
|                          | 1 flash disc                               | 1600.00          |
|                          | Spiral binding 40 copies                   | 4000.00          |
|                          | Hard binding, 3 copies                     | 2000.00          |
|                          | Photocopy of literature                    | 5000.00          |
|                          | Secretarial and printing costs             | 6000.00          |
| Internet and telephony   | Internet browsing                          | 6000.00          |
|                          | Telephone costs                            | 5000.00          |
| Travel and accommodation | Transport expenses                         | 10000.00         |
|                          | Accommodation expenses                     | 10000.00         |
| Administration fee       | 10% of total cost                          | 10400.00         |
| Miscellaneous expenses   | Research assistant, food and refreshments. | 50000.00         |
| <b>TOTAL</b>             |  | <b>114400.00</b> |

Source: Self (2016)



**APPENDIX IV STUDY MAP**



Source: google map 2017