INFLUENCE OF PROCUREMENT PRACTICES ON PROCUREMENT PERFORMANCE OF DEVOLVED FUNCTIONS OF COUNTY GOVERNMENTS IN KENYA: A CASE OF KAKAMEGA GENERAL HOSPITAL

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ABSTRACT

Ethical behavior in procurement has been and is still a central issue in supply chain matters. In spite of immense issues in this area, few studies have carried out research into the precursors that generate the recurrent malpractices in the procurement process. There is limited empirical evidence on the influence of ethical procurement standards on procurement performance. This study sought to establish the influence of procurement standards on procurement performance. Chapter two of the study review the existing literature on the influence of procurement practices on procurement performance of devolved functions, in specific it review the theoretical review, conceptual framework, empirical review, critique of existing literature, summary and research gaps. The study was guided by reinforcement theory, system theory, supply chain management theory and logistic theory as it sought to establish the influence of procurement practices on procurement performance of devolved functions of county governments in Kenya. The study adopted a descriptive research design since the study intends to gather quantitative and qualitative data on the influence of procurement standards on procurement performance. The target population was 195 employees of Kakamega General Hospital. Through stratified random sampling, the study sampled 98 respondents. The study collected both primary and secondary data. Primary data was gathered using semi-structured questionnaires where the respondents were issued with the questionnaires. The study found that purchasing professionalism influenced procurement performance of Kakamega General Hospital. The study found that purchasing positioning influenced procurement performance of Kakamega General Hospital. The study revealed that supplier relationships influenced procurement performance of Kakamega General Hospital. The study found that procurement practices influences procurement performance of Kakamega General Hospital. There is need for management to discover new suppliers, ensure Transparency, fair treatment in bidding and tenders award, accountability and responsible purchasing. The management should maintain procurement practices that enables inventory management, reduces the total cost of procurement, enhances the quality of final finished goods, enhances customer satisfactions and that reduces the lead time in procurement of goods. The
study recommends that the management create effective and efficient procurement systems and collaborative relationships that will help in achievement of organizational goals.

**Keywords:** Supplier selection criteria, purchasing professionalism, Purchasing positioning, Supplier relationships, procurement performance

**INTRODUCTION**

Ethical procurement leads to sustainable supplies relationships that are marked by mutually beneficial terms, fair practice and trust should improve the supplier’s reliability. Good ethical practices enhance an institution integrity and reputation (Drumright, 2004). It is therefore important for procurement staff to be trained particularly on how to resolve ethical dilemmas and competing priorities. This ethical consideration and commitment should be formulated in a transparent and clear procurement policy (Institute of Business Ethics, 2008). Other advantages of ethical behavior include higher revenues being demand from business awareness and recognition, better employee motivation and recommitment and new sources of finance. Challenges of inclining an organization to ethics include higher cost in overheads for training and communication in ethical policy and danger of building up false expectations.

According to Van Weele (2002) purchasing performance is considered to be the result of two elements: purchasing effectiveness and purchasing efficiency. Performance provides the basis for an organization to assess how well it is progressing towards its predetermined objectives, identifies areas of strengths and weaknesses and decides on future initiatives with the goal of how to initiate performance improvements. This means that purchasing performance is not an end in itself but a means to effective and efficient control and monitoring of the purchasing function (Van Weele, 2002).

Kenya is still in the dawn days of procurement professionalism. This notwithstanding, ethical issues in procurement have been on the rise leading to interest into the matter that might be influencing such trend. As procurement garners more professionalism status- organizations have been undergoing various stages of purchasing and supply chain maturity (Huang, 2008). The scrutiny of how maturity of various purchasing and supplies function alters ethical procurement is necessary to establish distinct drivers of ethicality across the supply chain (Mathenge, 2012). More so, the ethical impediments faced purchasing functions in varying maturity levels categories will be elucidated. This approach of studying ethical behaviour is relevant to Kenya that is still in the transitory stage of purchasing paradigm shift.

**STATEMENT OF THE PROBLEM**

Public procurement needs a tight/waterproof system to be followed and adopted. The adoption and implementation of the Procurement Act of (2005) and subsequent regulations and guidelines has affected public institutions performance in several ways including ensuring ethical standards are maintained in public procurement processes and promoting accountability (Onsongo, Okioga, Otieno & Mongare, 2012). The Constitution of Kenya 2010 created County Government structure based on principles of democracy, revenue reliability, gender equity, accountability and citizen participation.
Sound public procurement policies and practices are among the essential elements of good governance in county governments (KIPPRA, 2013; World Bank, 2012). Wittig (2009) indicates that any improvements in the public procurement system can have a direct and beneficial effect on the overall economic situation of a country. This underscores the importance of ensuring ethical standards are maintained in public procurement processes. The public purchasing environment can create an atmosphere conducive to unethical behaviour (Badenhorst, 2014). Reilly and Kyi (2012) state that the ethical level of behaviour with procurement staff is mainly determined by the climate (environment) of the organisation, top management, limited productive resources and lack of intellectual support in the organization.

Deliberate deception in the workplace including taking credit for work done by someone else, calling in sick in order to go to attend to personal affairs and sabotaging the work of another person are examples of deliberate deception pointed out, but these show how damaging deception can be by using a person's trust to undermine his rights and security, which results in conflict and retaliation. Top manager calls junior officer into his/her office and threatens to fire him/her unless they procure from certain suppliers knowing very well the supplier’s goods/services are inferior. To keep their job, one must violate his/her conscience and recommend given supplier to supply goods/services.

The boss is engaging in unethical behavior by forcing junior officer to do something he/she knows is wrong. He may be engaging in unethical conduct because top management has forced him by threatening his job, too. Coercion is also the basis for workplace sexual harassment and results in lawsuits. Padding an expense account with non-business expenses, delay in supplier payment after delivery of goods/services till kick back is given out, raiding the supply cabinet to take home pens and notebooks are examples of unlawful conduct observed in the workplace and the person who steals from the company by padding her expense account or taking supplies for personal use risks losing her job. If a company decides to overlook such theft on the basis of maintaining employee morale by not firing a popular employee, other employees will also steal so that they can feel they are getting the same deal as their co-worker.

According to Auditor General Report (2014), on Kakamega County, public procurement regulations requiring open tender for procurement were not adhered to in respect to expenditure on maintenance on roads amounting to Kshs.112, 472,774. The report further states that procurement procedures as set out in Public Procurement Regulations (2006) were flouted and therefore not possible to confirm if the County Government received value for the money. The report recommendation was that procurement regulations and procedures should be adhered in procuring services. Given that County Governments in Kenya are still in the process of adopting a paradigm shift in the way purchasing and supplies is handled, it becomes very important to understand how procurement standard influence procurement performance. This study sought to establish the influence of procurement practices on procurement performance of devolved functions of county governments in Kenya, with special focus on Kakamega General Hospital.

**RESEARCH OBJECTIVES**

i. To determine the influence of supplier selection criteria on procurement performance of Kakamega General Hospital
ii. To examine the influence of purchasing professionalism on procurement performance of Kakamega General Hospital
iii. To establish the influence of purchasing positioning on procurement performance of Kakamega General Hospital
iv. To assess the influence of supplier relationships on procurement performance of Kakamega General Hospital

LITERATURE REVIEW

Theoretical Framework

Reinforcement Theory

This theory is based on operant conditioning developed initially by a B.F Skinner. The theory argues that the behaviour of people is largely determined by its consequences. Those actions that tend to have positive consequences tend to be repeated in future while those with negative consequences are unlikely to be repeated again (Otube, 2010). As such, decision makers in organizations should endeavor to ensure that consequences of good performance are pleasant while those of poor performance are unpleasant. With regard to supplier evaluation, it should be made quite clear that meeting or surpassing the appraisal criteria would result in winning the confidence of the appraiser. This would ultimately result in the appraissee benefiting by having contracts awarded to them which according to this theory, can be referred to as the ‘pleasant consequence’ (Otube, 2010). The basic idea underlying reinforcement theory is the concept of reinforcement itself. An event is said to be reinforcing if the event following some behaviour makes the behaviour more likely to occur again in future. It may involve the following strategies: Positive reinforcement, negative reinforcement and extinction,

Systems Theory

This theory was first applied in the fields of science and engineering before finding its way into management in the late 1950s. The systems theory is not a set of principles for managing, but a way of thinking about organization and management (Drucker, 1988). An organization is a system with many sections that are interrelated. These sections are affected in their operations by factors that are either internal, external or both. Systems can either be closed or open. Most if not all organizations are open systems meaning that they are dependent on the eternal environmental factors for survival (Drucker, 1988). Deming defines system as a series of functions or activities within an organization that work together for the aim of attaining the organization objectives (Deming seminar, as cited from Louis E. Schultz, "Profiles in Quality", 1994). Further he says "the flow of material and information from any part of the system must match the input requirements of the next stage" (Deming in 1993, as cited from Louis E. Schultz, "Profiles in Quality", 1994).

The organization receives inputs from the outside world which it then transforms into output and takes it back to the world for use. An organization will need suppliers to provide the input it requires. The inputs could either be materials, information or even human capital. Lack of sufficient supplies will mean that the organization will not meet its operational capacity and thus will not be effective in its operations. This can be illustrated by the diagram below;
Figure 1: Deming’s flow diagram

Source: Deming, Out of the Crisis, 1986.

Supply Chain Management Theory

A number of researches discuss logistics outsourcing from the Supply Chain Management point of view. Rao and Young (2013) suggest that firms consider outsourcing of logistics to an external Logistics Services Provider (LSP) when logistics complexity is high. Wilding and Juriado (2011) observe that cost reduction is the main motivation for logistics outsourcing. Welch and Nayak (2012) mentions that firms which outsource for operational and cost-based reasons will tend to restrict the Logistics Service Provider’s involvement to the basic logistics functions. Therefore, an outsourcing decision might be influenced by a firm's supply chain characteristics logistics complexity and demand uncertainty or logistics strategy. The study used the Supply Chain Management Theory in explaining the influence of supplier relationships on procurement performance.

Logistics Theory

Logistics is defined as the planning, organization, and control of all activities in the material flow, from raw material until final consumption and reverse flows of the manufactured product, with the aim of satisfying the customer’s and other interest party’s needs and wishes i.e., to provide a good customer service, low cost, low tied-up capital and small environmental consequences (Christopher, 2012). In most of the cases, logistics is seen from the perspective of an operative way of transporting or moving materials from one point to another or producing service. The credibility of this operation is based on how good is the design of the system that leads to this kind of logistics. Logistics systems encompass operative responsibilities, which include administration, operation and purchase and constructive duties as well as detailed design, (Lieb, Millen & Wassenhove, 2013).

Logistics management is that part of procurement management that plans, implements, and controls the efficient, effective forward and reverses flow and storage of goods, services, and
related information between the point of origin and the point of consumption in order to meet customer’s requirements. Logistics management activities typically include inbound and outbound transportation management, fleet management, warehousing, materials handling, order fulfilment, logistics network design, inventory management, supply or demand planning, and management of third party logistics service providers. To varying degrees, the logistics function also includes sourcing and procurement, production planning and scheduling, packaging and assembly, and customer service. It is involved in all levels of planning and execution strategic, operational, and tactical. Logistics management is an integrating function which coordinates and optimizes all logistics activities, as well as integrates logistics activities with other functions, including marketing, sales, manufacturing, finance, and information technology, (Morris & Imrie, 2012). Logistic theory was used in this study to determine the influence of supplier selection criteria on procurement performance of Kakamega General Hospital.

**Conceptual Framework**

<table>
<thead>
<tr>
<th>Supplier Selection Criteria</th>
<th>Procurement Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality, Competitive pricing, Delivery time</td>
<td>Cost reduction, Efficiency, Customer satisfaction</td>
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</tbody>
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<tr>
<th>Purchasing Professionalism</th>
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<tbody>
<tr>
<td>Skills, Competence, professional qualifications</td>
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<tr>
<th>Purchasing Positioning</th>
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<tr>
<td>Reporting &amp; structure, Decision making, Total spend</td>
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<tr>
<th>Supplier Relationships</th>
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<tbody>
<tr>
<td>Strategic alliance, Partnership, Long term relationship</td>
</tr>
</tbody>
</table>

**Independent Variables**

**Dependent variables**

**Figure 1: Conceptual Framework**

**Research Methodology**
This study employed descriptive research design. The target population was the employees of Kakamega General Hospital. This included both the employees on permanent and temporary contracts of employment which is 195 employees. Mugenda & Mugenda (2003) recommend that the sampling of at least 10% to 50% of target population is enough for a descriptive study when the target population is small. Proportion of 50% indicates a greater level of variability than either 20% or 80%. This is because 20% and 80% indicates that large majorities do not or do, respectively, have the attribute of interest. Because a proportion of 50% indicates the maximum variability in a population it is often used in determining a more conservative sample size. This study selected 50% of target population as the sample size of the study, as Mugenda & Mugenda (2003) argues that the higher the sample size the more the reliability, thus 98 respondents was selected in this study, representing 50% of the target population. The sampling technique that was employed was stratified random sampling. This is because the respondents were stratified into five categories; finance, administration, medical, procurement and housekeeping. The study collected both primary and secondary data. Primary data was gathered using semi-structured questionnaires where the respondents were issued with the questionnaires. Secondary data was gathered from past published scholarly articles explaining theoretical and empirical information on diversity management issues. Descriptive statistics, which includes the mean score, standard deviation and frequency distribution, enabled the researcher to meaningfully describe the distribution of measurement. Regression analysis was used for evaluating the multiple independent variables under investigation; correlation model was also used by use of Pearson Product Moment correlation coefficient where the magnitude of the correlation coefficient indicates the strength of the association of the variables under study. Tests were conducted at 95% confidence level. The regression took the following form: \( Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \alpha \) Where: \( Y \) = procurement performance of devolved functions of county governments in Kenya \( X_1 \) = Supplier Selection criteria, \( X_2 \) = Purchasing Professionalism, \( X_3 \) = Purchasing Positioning \( X_4 \) = Supplier Relationships, \( \beta_0 \) = Constant Term, \( \beta_1 \) = Beta coefficients AND \( \alpha \) = Error Term Content analysis was used to test data that is qualitative in nature or aspect of the data collected from the open ended questions. This study was interested to establish the influence of procurement practices on procurement performance of devolved functions of county governments in Kenya.

RESULTS

Background Information
The study requested the respondent to indicate their level of education. From the findings, the study found that majority of the respondents as shown by 38.9 percent had diploma, 35.6 percent had degree, 11.1 percent had certificate, 10.0 percent were form four leavers and 4.4 percent were postgraduates. This is an indication that most of the respondents were learned and they were in a position to give credible information relating to the study.

Level of education
The study requested the respondent to indicate the length of time they have worked at Kakamega general hospital. From the findings, the study found that majority of the respondents as shown by 46.7 percent indicated 5 to 10 years, 24.4 percent indicated below 5 years, 21.1 percent indicated 11 to 15 years, and 7.8 percent indicated 16 and above years. This is an indication that most of the respondent were in a position to give credible information relating to the study.

**Length of time at Kakamega General Hospital**

The study requested the respondent to indicate their department from the findings, the study found that majority of the respondents as shown by 44.4 percent were from procurement, 23.3 percent were from finance, 15.6 percent were from administration and human resource, 11.1 percent were from medical department and lastly 5.6 percent were from laundry department. This is an indication that most of the respondent were in a position to give credible information relating to the study.

**Distribution of respondent by Department**
Supplier Selection criteria
The study sought to establish the extent to which supplier selection criteria affect procurement performance of Kakamega General Hospital. From the findings the study established that majority of the respondents as shown by 54.4 percent indicated very great extent, 34.4 percent indicated great extent, 7.8 percent indicated moderate extent, and 3.3 percent indicated little extent. This is an indication that supplier selection criteria affect procurement performance of Kakamega General Hospital.

Supplier selection criteria on procurement performance

On the respondent’s level of agreement on statements relating to effect of supplier selection criteria on procurement performance of Kakamega General Hospital, the study found that majority of the respondent agreed that tendering process should always be transparent and fair without any form of prejudice and favoritism as shown by a mean of 4.27, that to ensure quality of supplies it is critically important to not only develop existing suppliers but also to discover new suppliers as shown by a mean of 4.24, Transparency, fair treatment in bidding and tenders award, accountability and responsible purchasing and supply have a positive implication on procurement processes as shown by a mean of 4.23, Ethical procurement in supplier selection values honesty and openness in the supplier relationship as shown by a mean of 4.02, The strength of supplier’s commitment for on-time delivery service includes follow-up services is considered in the supplier selection as shown by a mean of 4.00.

These findings were in line with the findings of Mamic (2005) who found that it is good practice to formulate clear supplies selection principles with regards to social ethical and environmental criteria. They should be aligned to organizational code of ethics and corporate responsibility and
sustainability objectives. Drumright (2004) contend that ethic and ethical trading are fundamental to all people in purchasing. Supplier selection must be made on decision which does not favour the supplies in front of others. The specifications must honestly reflect the needs.

Table 1: Supplier Selection Criteria on Procurement Performance

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strong disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
<th>Mean</th>
<th>Std deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>To ensure quality of supplies it is critically important to not only develop existing suppliers but also to discover new suppliers</td>
<td>0</td>
<td>0</td>
<td>6</td>
<td>56</td>
<td>28</td>
<td>4.24</td>
<td>1.12</td>
</tr>
<tr>
<td>Tendering process should always be transparent and fair without any form of prejudice and favoritism</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>66</td>
<td>24</td>
<td>4.27</td>
<td>1.30</td>
</tr>
<tr>
<td>Transparency, fair treatment in bidding and tenders award, accountability and responsible purchasing and supply have a positive implication on procurement processes</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>69</td>
<td>21</td>
<td>4.23</td>
<td>1.34</td>
</tr>
<tr>
<td>The strength of supplier’s commitment for on-time delivery service includes follow-up services is considered in the supplier selection</td>
<td>0</td>
<td>0</td>
<td>16</td>
<td>58</td>
<td>14</td>
<td>4.00</td>
<td>1.06</td>
</tr>
<tr>
<td>Ethical procurement in supplier selection values honesty and openness in the supplier relationship procurement professionals should establish the criteria by which the resulting bids or proposals will be evaluated</td>
<td>0</td>
<td>0</td>
<td>8</td>
<td>53</td>
<td>29</td>
<td>4.23</td>
<td>1.08</td>
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</table>

Purchasing Professionalism
The study sought to establish the extent to which purchasing professionalism affects procurement performance of Kakamega General Hospital. From the findings the study established that majority of the respondents as shown by 58.9 percent indicated very great extent, 31.1 percent indicated great extent, 6.7 percent indicated moderate extent, and 3.3 percent indicated little extent. This is an indication that purchasing professionalism affects procurement performance of Kakamega General Hospital. Purchasing professionalism affects procurement performance.
On the respondent’s level of agreement on statements relating to effect of purchasing professionalism on procurement performance of Kakamega General Hospital, the study found that majority of the respondent agreed that purchasing professionalism helps to prevent corruption issues, such as suppliers bribing those in charge of the procurement process, the fixing of bid prices or the awarding of contracts to one supplier without competitive bidding as shown by a mean of 4.62, Ethical procurement should prohibit breach of the public’s trust as shown by a mean of 4.51, Purchasing competence helps ensure that supplies are procured only from ethical sources with good track records as shown by a mean of 4.38, Purchasing skills are a crucial element in maintaining transparency, accountability, impartiality and fairness in the procurement process as shown by a mean of 4.09.

These findings were in line with Bradley (2008) who identified the difficulties encountered by purchasing in meeting profession criteria as no regulation of entry. It is not necessary to have a profession qualification in purchasing to the occupation; purchasing practitioners are at all levels of evolution. Person with only operational or transactional knowledge weight experience difficulty in moving to strategy purchasing, limited powers to ensure ethical standards. Ethics is important in purchasing for the following reasons: purchasing staff are representatives of their organization in its dealing with suppliers, sound ethical conduct in dealing with suppliers is essential to creation of long term relationship and establishment of goodwill, purchasing staff are probably more exposed to temptation to act unethically than most other employees and it is impossible to claim professional status for purchasing without reference to consideration of its ethical aspects.

Table 2: Purchasing Professionalism on Procurement Performance

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
<th>Mean</th>
<th>Std deviation</th>
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Figure 7: Purchasing Professionalism Affects Procurement Performance
Ethical procurement should prohibit breach of the public’s trust

Purchasing skills are a crucial element in maintaining transparency, accountability, impartiality and fairness in the procurement process.

Purchasing professionalism helps to prevent corruption issues, such as suppliers bribing those in charge of the procurement process, the fixing of bid prices or the awarding of contracts to one supplier without competitive bidding.

Purchasing competence helps ensure that supplies are procured only from ethical sources with good track records.

The study sought to determine the extent to which purchasing positioning affect procurement performance, from the finding the study found that majority of the respondents as shown by 54.4% indicated to a very great extent, 23.3 percent indicated to great extent, 21.1 percent indicated to moderate extent and 12.2 percent indicated to little extent, this is an indication that purchasing positioning affect procurement performance to a great extent.

Purchasing positioning affect procurement performance

![Figure 8: Purchasing Positioning Affect Procurement Performance](image)

On the respondent’s level of agreement on statements relating to effects of purchasing positioning on procurement performance of Kakamega General Hospital, the study found that majority of the respondent agreed that Procurement policy should aim to select and procure in an economically rational manner the best possible goods and services available as shown by a mean of 4.64. Suppliers worldwide should be eligible to participate in procurement transaction in open fair and transparent principles and easy to understand, simple procedures as shown by a mean of 4.54. Purchasing staff should seek to contribute to corporate strategy by provision of intelligence through reports as shown by a mean of 4.32. The procurement structure encourages procurement officers to report any unethical procurement issues as shown by a mean of 4.19. Adopting an
An effective purchasing strategy will turn a reactive buyer into a proactive buyer one that adds value to the process as shown by a mean of 4.11.

These findings were in line with the findings of Chartered Institute of Management (CIM), 2005) identified that adopting an effective purchasing strategy will turn a reactive buyer into a proactive buyer one that adds value to the process. A typical organizational structure shows the hierarchy of decision making power within a department. Built like a pyramid, the employee at the top has the most decision making responsibility. While each job is answerable to the department, everyone answers the person giving responsibility, while each job is considered to be vital to the person above him. Each business refines its organizational chart based upon particular needs. The structure of one purchasing department won’t necessarily look like another although there are positions that appear within most hierarchies (Bailey, 2006).

Table 3: Purchasing Positioning On Procurement Performance

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adopting an effective purchasing strategy will turn a reactive buyer into a</td>
<td>0</td>
<td>0</td>
<td>16</td>
<td>48</td>
<td>26</td>
<td>4.11</td>
<td>0.94</td>
</tr>
<tr>
<td>proactive buyer one that adds value to the process</td>
<td></td>
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<td>The procurement structure encourages procurement officers to report any</td>
<td>0</td>
<td>0</td>
<td>13</td>
<td>47</td>
<td>30</td>
<td>4.19</td>
<td>0.98</td>
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<td>unethical procurement issues</td>
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<tr>
<td>Purchasing staff should seek to contribute to corporate strategy by</td>
<td>0</td>
<td>0</td>
<td>9</td>
<td>43</td>
<td>38</td>
<td>4.32</td>
<td>1.06</td>
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<td>provision of intelligence through reports</td>
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<tr>
<td>Procurement policy should aim to select and procure in an economically</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>32</td>
<td>58</td>
<td>4.64</td>
<td>1.42</td>
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<tr>
<td>rational manner the best possible goods and services available</td>
<td></td>
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<tr>
<td>Suppliers worldwide should be eligible to participate in procurement</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>41</td>
<td>49</td>
<td>4.54</td>
<td>1.28</td>
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<tr>
<td>transaction in open fair and transparent principles and easy to understand,</td>
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<td>simple procedures.</td>
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Supplier Relationships

The study sought to establish the extent to which supplier relationships affect procurement performance of Kakamega General Hospital. From the findings the study established that most of the respondents as shown by 70.0 percent indicated very great extent, 22.2 percent indicated great extent, 4.4 percent indicated moderate extent and 3.3 percent indicated little extent. This is an indication that supplier relationships affect procurement performance of Kakamega General Hospital.

Supplier relationships affect procurement performance
On the respondent’s level of agreement on statements relating to effects of supplier relationships on procurement performance of Kakamega General Hospital, the study found that majority of the respondent agreed that effective and efficient procurement systems and collaborative relationships are essential to the achievement of organizational goals, cost reduction and supply chain performance as shown by a mean of 4.59, buyer supplier relationships can enable more effective service transactions by providing a safeguarded hybrid governance form in between market and hierarchy as shown by a mean of 4.53, Supplier Relationship Management can assist Kakamega General Hospital to maximize relationship value with suppliers and minimize risk and management of overhead through the entire supplier relationship life cycle as shown by a mean of 4.50. Collaborative relationships are a significant predictor of supply chain performance and they need to be enhanced as shown by a mean of 4.43, Supplier Relationship Management should show clear commitment between the supplier and Kakamega General Hospital as shown by a mean of 4.37 and Establishing close relationships with suppliers, though, means that buyers have to conduct the necessary research to make sure that they select the right companies as shown by a mean of 4.36.

These findings were in line with the findings of Institute of Business Ethics (2008) they suggested some good practice of ethical procurement in supplier relations values of honesty and openness in the supplier relationship. Disadvantage of adversarial relationship should be explored. Supplier should be informed of changes in the institution that might affect them. Published creditor’s department targets and figures regarding on time payment of invoices should be disclosed to suppliers. Avoiding the contracting for more than 20% of a supplier should be pursued to reduce the risk of overdependence. Decisions on how far down the supply chain an organization need to impose ethical standards and reasons to do so should be established. The new outlook must be based upon ethical practices which generate a high level of comprehension and cooperation, leading to efficiency in the productive system in general.

Table 4: Supplier relationships on procurement performance
Supplier Relationship Management can assist Kakamega General Hospital to maximize relationship value with suppliers and minimize risk and management of overhead through the entire supplier relationship life cycle.

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Mean</th>
<th>Std Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier Relationship Management should show clear commitment between the supplier and the Kakamega General Hospital</td>
<td>0</td>
<td>0</td>
<td>9</td>
<td>39</td>
<td>42</td>
<td>4.37</td>
<td>1.09</td>
</tr>
<tr>
<td>Establishing close relationships with suppliers, though, means that buyers have to conduct the necessary research to make sure that they select the right companies</td>
<td>0</td>
<td>0</td>
<td>11</td>
<td>36</td>
<td>43</td>
<td>4.36</td>
<td>1.07</td>
</tr>
<tr>
<td>Buyer supplier relationships can enable more effective service transactions by providing a safeguarded hybrid governance form in between market and hierarchy</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>42</td>
<td>48</td>
<td>4.53</td>
<td>1.27</td>
</tr>
<tr>
<td>Effective and efficient procurement systems and collaborative relationships are essential to the achievement of organizational goals, cost reduction and supply chain performance</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>37</td>
<td>53</td>
<td>4.59</td>
<td>1.34</td>
</tr>
<tr>
<td>Collaborative relationships are a significant predictor of supply chain performance and they need to be enhanced</td>
<td>0</td>
<td>0</td>
<td>6</td>
<td>39</td>
<td>45</td>
<td>4.43</td>
<td>1.16</td>
</tr>
</tbody>
</table>

Procurement Performance

On the respondent’s level of agreement on statements relating to influence of ethical procurement standards on procurement performance of Kakamega General Hospital, the study found that majority of the respondent agreed that Procurement standards is an effective to ensure effective inventory management as shown by a mean of 4.51, Procurement standards helps to reduce the total cost of procurement as shown by a mean of 4.48, Procurement standards helps to enhance the quality of final finished goods as shown by a mean of 4.46, Procurement standards helps to enhance customer satisfactions as shown by a mean of 4.46 and lastly Procurement standards reduces the lead time in procurement of goods as shown by a mean of 4.26.

These findings were in line with the findings of Kiragu, (2012) he suggests that measuring the performance of the purchasing function yields benefits to organizations such as cost reduction, enhanced profitability, assured supplies, quality improvements and competitive advantage (Kiragu, 2012). An important step towards reducing these risks is to make a realistic assessment of those that are most likely to occur in any procurement. There are some of most likely risks can be avoided or controlled by careful preparation and good information (Artley & Stroh, 2001).

Table 5: Procurement Practices on Procurement Performance
The study sought to establish the extent to which they were satisfied with the performance of procurement decisions in the Kakamega General Hospital. From the findings the study established that most of the respondents as shown by 42.2 percent indicated little extent, 35.6 percent indicated moderate extent, 12.2 percent indicated great extent, 5.6 percent indicated no extent and 4.4 percent indicated very great extent. This is an indication that majority of the respondents were not satisfied with the performance of procurement decisions in the Kakamega General Hospital.

Satisfaction with the performance of procurement decisions

![Satisfaction with the Performance of Procurement Decisions](image)

**Figure 10: Satisfaction with the Performance of Procurement Decisions**

**Regression Analysis**
Inferential analysis was conducted to generate correlation results, model of fitness, and analysis of the variance and regression coefficients. Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable. From the findings in table 4.9, the value of adjusted R squared was 0.719, an indication that there
was variation of 71.9% on procurement performance in devolved functions of county governments in Kenya, due to changes in supplier selection criteria, purchasing professionalism, purchasing positioning and supplier relationships, at 95% confidence interval. This shows that 71.9% changes in the procurement performance in devolved government in Kenya could be accounted to changes in supplier selection procedure, purchasing professionalism, purchasing positioning and supplier relationships. R is the correlation coefficient which shows the relationship between the study variables, from the findings shown in the table below there was a strong positive relationship between the study variables as shown by 0.855.

Table 6: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.855a</td>
<td>.724</td>
<td>.719</td>
<td>.49390</td>
</tr>
</tbody>
</table>

From the ANOVA statistics in Table 7, the processed data, which is the population parameters, had a significance level of 0.2% which shows that the data is ideal for making a conclusion on the population parameters as the value of significance (p-value) is less than 5%. The calculated value was greater than the critical value (3.695>2.37) an indication that there were significant difference between procurement performance in devolved government in Kenya and supplier selection criteria, purchasing professionalism, purchasing positioning and supplier relationships. The significance value was less than 0.05 indicating that the model was significant.

Table 7: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>2.688</td>
<td>4</td>
<td>0.672</td>
<td>3.695</td>
<td>.002b</td>
</tr>
<tr>
<td>Residual</td>
<td>15.47</td>
<td>85</td>
<td>0.182</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>18.158</td>
<td>89</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The established regression equation was

\[ Y = 1.518 + 0.631 X_1 + 0.562 X_2 + 0.598 X_3 + 0.624 X_4 \]

From the above regression equation, it was revealed that holding supplier selection criteria, purchasing professionalism, purchasing positioning and supplier relationships, to a constant zero, procurement performance in devolved functions of county governments in Kenya, would stand at 1.518. A unit increase in supplier selection criteria would lead to increase in the procurement performance, by a factor of 0.631, a unit increase in purchasing professionalism would lead to increase in procurement performance, by a factor of 0.562, a unit increase in purchasing positioning would lead to increase procurement performance, by a factor of 0.598 and unit increase in supplier relationships would lead to increase in procurement performance, by a factor of 0.624. The study further revealed that supplier selection criteria, purchasing professionalism, purchasing positioning and supplier relationships were statistically significant to affect procurement performance in devolved government in Kenya, as all the p value (sig) were less than 5%. The study also found that there was a positive relationship between procurement performance in devolved government in Kenya, and supplier selection procedure, purchasing professionalism, purchasing positioning and supplier relationships.
Table 8: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>β</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>1.518</td>
<td>0.587</td>
<td>2.365</td>
<td>.011</td>
</tr>
<tr>
<td>Supplier Selection Criteria</td>
<td>.631</td>
<td>0.199</td>
<td>.222</td>
<td>2.573 .005</td>
</tr>
<tr>
<td>Purchasing Professionalism</td>
<td>.562</td>
<td>0.071</td>
<td>.172</td>
<td>3.704 .009</td>
</tr>
<tr>
<td>Purchasing Positioning</td>
<td>.598</td>
<td>0.091</td>
<td>.173</td>
<td>2.890 .012</td>
</tr>
<tr>
<td>Supplier Relationships</td>
<td>.624</td>
<td>0.053</td>
<td>.121</td>
<td>3.547 .003</td>
</tr>
</tbody>
</table>

Conclusions
The study found that supplier selection criteria influenced procurement performance of Kakamega General Hospital. That tendering process should always be transparent and fair without any form of prejudice and favoritism, that to ensure quality of supplies it is critically important to not only develop existing suppliers but also to discover new suppliers, Transparency, fair treatment in bidding and tenders award, accountability and responsible purchasing and supply have a positive implication on procurement processes, Ethical procurement in supplier selection values honesty and openness in the supplier relationship. The strength of supplier’s commitment for on-time delivery service includes a follow-up service that is considered in the supplier selection.

The study found that purchasing professionalism influenced procurement performance of Kakamega General Hospital. That purchasing professionalism helps to prevent corruption issues, such as suppliers bribing those in charge of the procurement process, the fixing of bid prices or the awarding of contracts to one supplier without competitive bidding, Ethical procurement should prohibit breach of the public’s trust, Purchasing competence helps ensure that supplies are procured only from ethical sources with good track records, Purchasing skills are a crucial element in maintaining transparency, accountability, impartiality and fairness in the procurement process.

The study found that purchasing positioning influenced procurement performance of Kakamega General Hospital. That Procurement policy should aim to select and procure in an economically rational manner the best possible goods and services available, Suppliers worldwide should be eligible to participate in procurement transaction in open fair and transparent principles and easy to understand, simple procedures, Purchasing staff should seek to contribute to corporate strategy by provision of intelligence through reports, The procurement structure encourages procurement officers to report any unethical procurement issues, Adopting an effective purchasing strategy will turn a reactive buyer into a proactive buyer one that adds value to the process.

The study found that supplier relationships influenced procurement performance of Kakamega General Hospital. That effective and efficient procurement systems and collaborative relationships are essential to the achievement of organizational goals, cost reduction and supply chain performance.

Buyer supplier relationships can enable more effective service transactions by providing a safeguarded hybrid governance form in between market and hierarchy, Supplier Relationship Management can assist Kakamega General Hospital to maximize relationship value with suppliers and minimize risk and management of overhead through the entire supplier relationship life cycle, Collaborative relationships are a significant predictor of supply chain performance and
they need to be enhanced, Supplier Relationship Management should show clear commitment between the supplier and the Kakamega General Hospital and Establishing close relationships with suppliers, though, means that buyers have to conduct the necessary research to make sure that they select the right companies. The study found that ethical procurement standards influences procurement performance of Kakamega General Hospital. That Procurement standards is an effective to ensure effective inventory management, Procurement standards helps to reduce the total cost of procurement, Procurement standards helps to enhance the quality of final finished goods, Procurement standards helps to enhance customer satisfactions and lastly Procurement standards reduces the lead time in procurement of goods.

**Recommendations**
The study recommends that there is need for management to discover new suppliers, ensure Transparency, fair treatment in bidding and tenders award, accountability and responsible purchasing.
The study recommends that the management should maintain procurement practices that enables inventory management, reduces the total cost of procurement, enhances the quality of final finished goods, enhances customer satisfactions and that reduces the lead time in procurement of goods. The study further recommends that the management create effective and efficient procurement systems and collaborative relationships that will help in achievement of organizational goals.

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